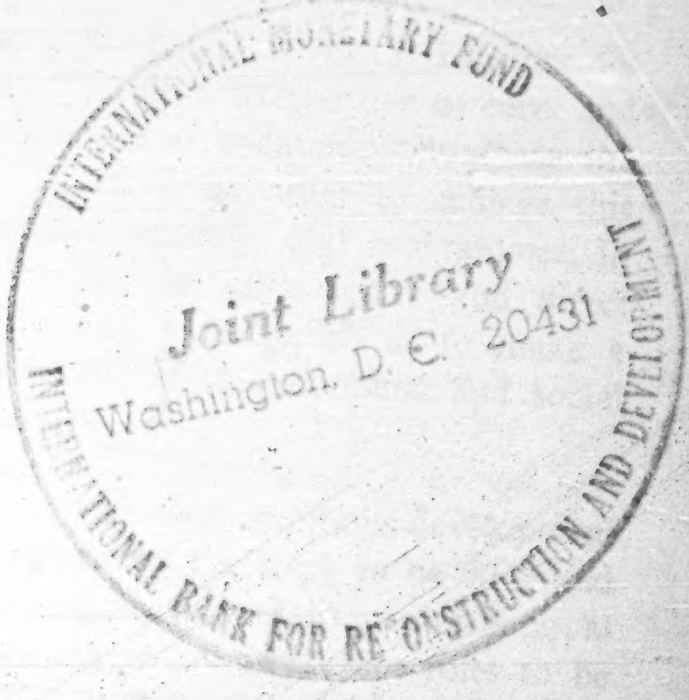
Malaysia (Federation)

SECOND MALAYSIA PLAN 1971-1975



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FOREWORD

We are entering a new era of development, fully committed to meeting the challenges of our time and forging a strong, united Malaysian nation with continued progress and prosperity. A new approach to development which reflects these commitments, and the policies and programmes associated with it, are embodied in the Second Malaysia Plan.

The Plan is the result of an intensive review, over the past two years, of the basic premises and priorities of development. The objectives, priorities and strategies of the Plan have all been shaped by the over-riding need to promote national unity. What we now have is a bold and forward-looking plan for dealing with the social and economic problems which confront the nation—a plan founded on Malaysia's many strengths and achievements, designed to rectify its shortcomings and responsive to changing needs and circumstances.

The Plan is a blueprint for the New Economic Policy. It incorporates the two-pronged objective of eradicating poverty, irrespective of race, and restructuring Malaysian society to reduce and eventually eliminate the identification of race with economic function. In order to achieve this objective, the Plan contains new strategies, priorities and programmes. In particular, it is intended that there should be more active and direct Government participation in commerce and industry, so as to make a meaningful contribution towards attainment of the economic and social goals.

The Second Malaysia Plan is the largest and most ambitious development plan yet undertaken in this country. In terms of the work to be done and the human and financial resources to be mobilised, it entails greater national efforts than ever before. In these efforts, there are important roles to be played by public sector agencies, by the private sector and by individuals of all ages and from all walks of life.

For its part, the Government will take the lead in ensuring that the necessary energies are generated. It will spare no efforts to promote national unity and develop a just and progressive Malaysian society in a rapidly expanding economy so that no one will experience any loss or feel any

sense of deprivation of his rights, privileges, income, job or opportunity. The private sector is also called upon to shoulder its responsibility for the fulfilment of these national objectives.

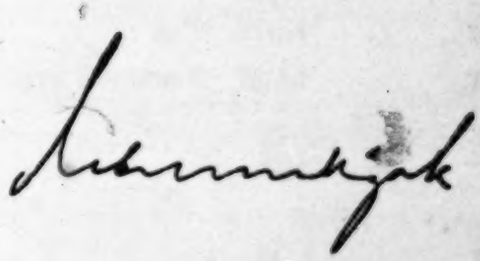
Our people of all races and all social groups should therefore regard the Second Malaysia Plan as a great opportunity to participate in the whole process of social change and nation-building. It is now, more than ever before, necessary for each member of our society, whether a politician, civil servant, farmer, employer, worker, trade unionist or journalist, to join in the common endeavour to ensure the progress and well-being of the community and the nation as a whole. The Government is determined that the Plan must succeed and, in the final analysis, it can only succeed with the acquiescence and enthusiastic support of the people.

To achieve our overall objective of national unity, Malaysia needs more than merely a high rate of economic growth. While devoting our efforts to the task of achieving rapid economic development, we need to ensure at the same time that there is social justice, equitable sharing of income growth and increasing opportunities for employment.

The Government is fully aware of the many difficult problems involved in attaining these objectives. It is appreciated that their solution cannot be accomplished in full within the time-span of a single five-year plan. The Second Malaysia Plan is just one phase, but a crucial one, in a far-reaching transformation of the social framework of production and distribution leading to more equitable distribution of income and wealth, more balanced regional development, expanded employment opportunities and an enduring economic stability. The Plan aims at the creation of a viable and dynamic commercial and industrial community of Malays and other indigenous people, and the emergence of a new breed of Malaysians, living and working in unity to serve the nation with unswerving loyalty.

The Plan must succeed as it is vital to our survival as a progressive, happy and united nation. It is a challenge we must meet, an opportunity we must share and a responsibility we must shoulder. It requires whole-hearted effort, dedication, discipline, sacrifice and self-reliance from all of us for its success. It is the duty of all of us to understand the objectives, the policies and the programmes of the Plan in order to participate fully in its implementation and to ensure its success.

In commending this Plan to Parliament for approval and adoption and to the country, I would like to express my deep appreciation of the good work of all those who have, in one way or another, contributed towards its formulation. In particular, I would like to record my thanks to my Cabinet colleagues, the Chairman and members of the NDPC and officials of Federal and State Governments as well as the Public Authorities. Representatives of all political parties and professions in the former National Consultative Council and of the private sector, as well as advisers and the World Bank Economic Mission, have all given constructive views and suggestions and rendered valuable assistance in the course of the preparation of the Plan.



(TUN ABDUL RAZAK BIN DATO' HUSSEIN),
Prime Minister, Malaysia

KUALA LUMPUR,
25th June, 1971.

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CHAPTER I

The New Development Strategy

I.—INTRODUCTION

1. National unity is the over-riding objective of the country. A stage has been reached in the nation's economic and social development where greater emphasis must be placed on social integration and more equitable distribution of income and opportunities for national unity and progress. This direction towards national unity is fundamental to the New Economic Policy. The Second Malaysia Plan, based on this Policy, is designed to facilitate the achievement of the national objective. It marks a new phase in the economic and social development of Malaysia. It represents an important stage in the series of development plans designed to eradicate poverty among all Malaysians, irrespective of race, and to restructure Malaysian society in order to correct racial economic imbalance, in the context of an expanding economy, leading towards the creation of a dynamic and just society.

2. The Plan incorporates a two-pronged New Economic Policy for development. The first prong is to reduce and eventually eradicate poverty, by raising income levels and increasing employment opportunities for all Malaysians, irrespective of race. The second prong aims at accelerating the process of restructuring Malaysian society to correct economic imbalance, so as to reduce and eventually eliminate the identification of race with economic function. This process involves the modernisation of rural life, a rapid and balanced growth of urban activities and the creation of a Malay commercial and industrial community in all categories and at all levels of operation, so that Malays and other indigenous people will become full partners in all aspects of the economic life of the nation.

3. The New Economic Policy is based upon a rapidly expanding economy which offers increasing opportunities for all Malaysians as well as additional resources for development. Thus in the implementation of this Policy, the Government will ensure that no particular group will experience any loss or feel any sense of deprivation.

4. Malaysia's development to date has been substantial. Rapid advances have been made in all sectors of the economy and all regions have contributed to the growth of the national product. The growth in output and productivity has brought about a rise in the general standard of living and the provision of more jobs for the growing labour force. The economy has been able to embark on a substantial programme of rural development, an expansion of health, housing, education and other services and the extension and improvement of the transport system, public utilities and other infrastructure needed for development. The progress made in expanding production and economic diversification has enabled the economy to withstand the problem of price declines in its major export commodities and to meet essential security requirements without sacrifice of important development needs.

5. Though these achievements are significant, much remains to be done. In particular, poverty and unemployment and economic disparities continue to be problems of serious concern. Since May 1969, the Government has conducted an intensive review of national policies and priorities. It has noted that remarkable progress has been achieved in all fields of economic and social development. It has also noted that increased and improved education, growing urbanisation and expanded economic activities have all resulted in the creation of new ideas, the loosening of old ties, the questioning of traditional values, and the search for new sources of meaning and understanding, particularly among the youth of the society. The Government has further noted that these developments in turn have made for a socially and politically volatile society, yet a society responsive to new concepts and policies of social and economic order.

6. The Second Malaysia Plan represents a new strategy in which national priorities are re-ordered and efforts intensified to deal with the economic and social problems confronting the country. Economic policies and development will be considered in their relationship to social development in general and the over-riding need for national unity in particular. The strategy takes full recognition of these problems and needs in a multi-racial society. It incorporates policies and measures to eradicate poverty through raising income levels and generating new employment opportunities, and to restructure Malaysian society to correct racial economic imbalance.

7. The implementation of the new strategy to achieve these objectives will be guided by the principles of *Rukunegara*, proclaimed on 31st August, 1970. The *Rukunegara*, which declares the national objectives and values and the fundamental principles to guide the citizens and the nation, has

evolved from close consultation and deliberation in the National Consultative Council and represents a national consensus and commitment to the task of creating a united, socially just, economically equitable and progressive Malaysian nation.

II.—NATIONAL UNITY AND THE NEW ECONOMIC POLICY

8. Under the New Economic Policy, development will be undertaken in such a manner that in the process of growth and expansion, it makes the maximum contribution to the achievement of national unity.

9. The two prongs of the New Economic Policy are not mutually exclusive. They are, in many respects, inter-dependent and mutually reinforcing. For example, the measures to raise incomes in rural areas, where Malays and other indigenous people predominate, will not only help to eradicate poverty but also serve the objective of correcting racial economic imbalance. Similarly, projects to correct racial economic imbalance by increasing the participation of Malays and other indigenous people in new urban activities, will also contribute to the eradication of poverty by generating increased employment opportunities.

10. The quest for a national identity and unity is common to many countries, especially new and developing countries. This search for national identity and unity involves the whole range of economic, social and political activities: the formulation of education policies designed to encourage common values and loyalties among all communities and in all regions; the cultivation of a sense of dedication to the nation through services of all kinds; the careful development of a national language and literature, of art and music; the emergence of truly national symbols and institutions based on the cultures and traditions of the society. The basic point is emphasised in the *Rukunegara:* ". . . . . from these diverse elements of our population, we are dedicated to the achievement of a united nation in which loyalty and dedication to the nation shall over-ride all other loyalties."

11. National unity thus has several facets. Its achievement imposes demands on all sections and levels of the Malaysian society. Social and cultural, political and economic, public and private, emotional and psychological factors all play a part and they are all interrelated. National unity is unattainable without greater equity and balance among Malaysia's social and ethnic groups in their participation in the development of the country and in the sharing of the benefits from modernisation and economic growth. National unity cannot be fostered if vast sections of the population

remain poor and if sufficient productive employment opportunities are not created for the expanding labour force.

12. While there must be no delusion that national unity can be achieved by purely economic means, the eradication of poverty and the restructuring of the society and economy are necessary conditions for national unity. The Second Malaysia Plan, and Plans which succeed it, incorporate policies and programmes to deal with the two important objectives of the New Economic Policy.

III.—CONTENT OF THE NEW ECONOMIC POLICY

1. ERADICATION OF POVERTY

13. Poverty is a major cause of social discontent in all countries. It exists in both urban and rural areas and afflicts all racial and religious groups. It brings with it a vicious and self-reinforcing cycle of ignorance, suffering, low productivity and neglect. Since poverty can disrupt national unity, the eradication of poverty, irrespective of race, constitutes an important objective of the New Economic Policy.

14. Poverty is associated with those who are unemployed, underemployed and those engaged in activities where productivity is so low that living standards are well below the national average. The eradication of poverty will remove a major barrier to the creation of a united and just society.

15. The goal of eradicating poverty is to be achieved through a variety of measures described in greater detail in subsequent Chapters. Policies and programmes under the Plan, which bear more heavily on the objective of eradicating poverty, will be directed at:

(i) Increasing the productivity and income of those in low productivity occupations through the adoption of modern techniques and better use of facilities. Measures for this purpose include programmes for double-cropping, off-season and inter-cropping, drainage and irrigation, improved marketing and credit, and financial and technical assistance to small-scale businesses and industries.

(ii) Increasing opportunities for inter-sectoral movements from low productivity to higher productivity activities in new land development schemes, modern fishing and forestry projects and in commerce, industry and modern services; also, the provision of financial and technical assistance, education and training opportunities and the necessary organisational arrangements to facilitate movements into these modern sectors.

(iii) Providing a wide range of free or subsidised social services especially designed to raise the living standards of the low-income groups. Such services include public housing projects, subsidised rates for electricity, water and transportation, health and medical services, improved educational opportunities and increased recreational and community facilities.

16. The creation of a strong demand for labour is an important pre-requisite for eliminating poverty, as well as restructuring the society. Wider job opportunities must be created, especially for youths of all races, to provide increasing rewards for productive human effort.

17. In this striving for employment creation, Malaysia must overcome the problems posed by exceptionally rapid population growth. During the period of the Second Malaysia Plan and several years beyond, the number of job seekers will be rising rapidly. The family planning programme, launched under the First Malaysia Plan, will not even begin to have an impact on labour force growth until sometime in the 1980's.

18. It is evident, therefore, that Malaysia must plan for a high rate of economic growth. It will also necessitate major changes in economic structure. The industrial sector and key portions of the service sector will have to expand rapidly, in order to achieve a satisfactory rate of job creation. Furthermore, the provision of employment as a means to eradicate poverty cannot be viewed merely in terms of numbers of jobs created. Adequate opportunities must be provided for those now being educated and trained for skilled work and for the even larger numbers who will be educated and trained in the future.

19. The New Economic Policy views growth and structural change as means to create a much larger modern sector. Economic growth will also be pursued with emphasis on employment. Investment incentives will be geared to take due account of employment needs. In implementing development projects, particularly in the public sector, deliberate efforts will be made to use more labour-intensive techniques. These and other measures, as described in Chapter VII, aim for higher rates of labour absorption at given rates of investment. In this way it should be possible in time to attain a situation in which a much more highly trained labour force than now exists is fully and productively employed. Unemployment and under-employment will then cease to be factors tying down large numbers of Malaysians to poverty.

2. RESTRUCTURING SOCIETY AND ECONOMIC BALANCE

20. The second prong of the New Economic Policy is aimed at restructuring the society so that the present identification of race with particular forms of economic activity will eventually be eliminated. The Plan outlines policies and programmes to modernise rural life, encourage a rapid and balanced growth of urban activities, provide improved education and training programmes at all levels, and above all, ensure the creation of a Malay commercial and industrial community in all categories and at all levels of operation, in order that within one generation Malays and other indigenous people can be full partners in the economic life of the nation. These policies and programmes will be implemented in such a manner that no one will be deprived of his rights, privileges, income, job or opportunity. Accordingly, to afford the necessary opportunities for more education, better jobs and higher incomes to the disadvantaged, the sum total of such opportunities open to all Malaysians must be expanded rapidly. This expansion is an essential element in the New Economic Policy.

IV.—MODERNISATION AND GROWTH

21. Efforts to eradicate poverty, including the creation of greater employment opportunities, and to restructure the society to achieve racial economic balance can best be undertaken in the context of an expanding economy. Increases in the Gross National Product (GNP) therefore are major means by which the fundamental objectives of the New Economic Policy will be achieved.

22. Malaysia has a good resource base, valuable development experience, a sound financial position and general political stability to make for rapid economic and social development in the coming years. Such development will be pursued through the adoption of policies and programmes which will promote the fuller and more efficient utilisation of the country's human, natural and capital resources.

23. Development will be directed towards increased production for export, including new industrial and agricultural items, greater local processing of domestic raw materials, and further substitution of domestic production for imports. Economic growth will be facilitated by increased direct activities by the public sector and by new measures designed to ensure that the private sector will expand at a rapid rate.

24. Under the development strategy, attention will be directed chiefly towards the ends that increased output can serve. Increases in output will be

brought about in a manner that maximum contribution is made to the objectives of more equitable income distribution and participation in modern sector activities, modernising the rural areas, bringing education, housing, health, and other social services within the reach of everyone, and rapid growth of employment opportunities. The strategy aims to accelerate the growth of output so as also to facilitate the realisation of the changes in social, as well as economic structure, needed to achieve national unity.

V.—ROLE OF THE GOVERNMENT AND THE PRIVATE SECTOR

25. Both the Government and the private sector have important and complementary roles to play in the new development strategy. Besides providing the leadership in the articulation and achievement of the basic objectives of the New Economic Policy, the Government will assume an expanded and more positive role in the economy than in the past. The private sector is expected to continue its dynamic growth and complement the Government's efforts in achieving the objectives.

26. The Government will participate more directly in the establishment and operation of a wide range of productive enterprises. This will be done through wholly-owned enterprises and joint ventures with the private sector. Direct participation by the Government in commercial and industrial undertakings represents a significant departure from past practice. The necessity for such efforts by the Government arises particularly from the aims of establishing new industrial activities in selected new growth areas and of creating a Malay commercial and industrial community.

27. The establishment of industrial activities in new growth areas often involves a longer period before profits are earned than private firms are accustomed to. In addition, many of the advantages accruing from greater geographic dispersal are of an indirect and non-financial nature from which private enterprises do not visibly and directly benefit in terms of profit realisation. For these reasons the Government will take a more active role in the establishment and operation of enterprises in commerce, industry and agriculture.

28. Another aim of direct Government participation is to help create a Malay commercial and industrial community. Entrepreneurship can be created by providing opportunities to develop this talent. Explicit and deliberate efforts by the Government will be required to enable significant numbers of Malays and other indigenous people to gain experience and to have greater access to commercial and industrial opportunities. The role of

the Government in these efforts will include construction of business premises, direct investment in productive commercial and industrial enterprises to be controlled and managed by Malays and other indigenous people, the promotion of in-service training programmes and a variety of other activities covering financial and technical assistance. With such a role by the Government, the development of a multi-racial commercial and industrial community will be greatly facilitated, and the identification of race with economic function will be ultimately eliminated.

29. The role of the Government also embraces the financing and organising of a more extensive land development programme, including the establishment of public sector estates, and a larger education and training programme. The Government will also push ahead with the improvement of the economic and social infrastructure, and the establishment of new institutions with which to continue the development of human and physical resources. Road, rail, sea and air communications will be expanded and improved.

30. The expanded role requires the design of fiscal and monetary policies that assure sufficient funds for the Government without penalising productive private sector activities. A wide range of measures and incentives will also be provided to induce private investment to perform at a level and be of a composition that will make the maximum contribution to the attainment of the national goals.

31. Similarly, major improvements will be undertaken in the planning and implementation capacity of the Government. These include measures to streamline administrative procedures, personnel policies and organisational structure to bring about effective and expeditious implementation of Government policies and programmes.

32. The achievement of the national objectives in the Second Malaysia Plan is not a matter for the Government alone. It depends as much on the activities and social responsibilities of the private sector. The various taxes and subsidies, tariffs and export promotion programmes and financing arrangements will be designed to have a favourable impact on the level and composition of private sector activity. Basically, however, the successful implementation of the New Economic Policy depends on the co-operation and enthusiastic support of the private sector.

33. There is strong evidence of such support and co-operation from the private sector. Increasingly, political parties, chambers of commerce, manufacturers' associations, trade unions and employers, and other private groups

have shown both an understanding of and a commitment to the new development objectives. It is on this widespread understanding and support that the achievement of these objectives ultimately depends.

34. In sum, the new development strategy calls for an intensification of efforts by the Government and full commitment and active support by the people. The Government's role will be large and wide-ranging. The private sector is called upon to play an equally important role. The people of all groups and communities must recognise that the development of a united Malaysian nation and a just and progressive society is their responsibility.

VI.—THE LONG-TERM PERSPECTIVE

35. To eradicate poverty through increased income and creation of full employment, and to restructure the Malaysian society and economy to correct racial economic imbalance, especially for the creation of a Malay commercial and industrial community, may require a generation or more for their full accomplishment. Progress towards these objectives will be made during the Second Malaysia Plan period; at the same time, the Plan will establish the means and processes by which the transformation of the economy, already underway, can be accelerated. The specific policies and programmes described in later Chapters are concerned primarily with development over the five years. However, what comes after 1975 is equally of great importance. Economic and social development is a continuing process and, to a very great extent, the fundamental objective of the New Economic Policy is to create the institutions and processes by which Malaysia will have enduring national harmony and unity and by which all Malaysians will share in the progress and prosperity of the nation.

CHAPTER II

Review of Past Progress

I.—INTRODUCTION

36. The Second Malaysia Plan builds on the experience and achievements of a decade of development. The decade saw the successful implementation of the Malayan Second Five-Year Plan, 1961-65 and, following the formation of Malaysia in 1963, the First Malaysia Plan, 1966-70. The major aspects of development during the decade are discussed in the next Section. The rest of the Chapter provides further description of progress under the First Malaysia Plan.

II.—DEVELOPMENT DURING THE 1960's

37. The decade of the sixties was characterised by a high rate of development activity in the country. The twelve years of the Emergency and the campaign against militant Communist terrorism were successfully concluded in 1960. In consequence, the Government was able to concentrate its manpower and financial resources and its organisation on the urgent task of national development. With peace restored in the country, the private sector was also able to respond more positively to the opportunities for growth and investment. Private investment rose unevenly during the 1960's but achieved an average annual rate of growth of 7.3% during the period.

38. The Government set the early pace for rapid development. Annual development expenditure by the public sector more than trebled between 1960 and 1965. Total public development expenditure during 1961-65 was more than double that of the preceding five years. Although the public sector was not able to sustain this momentum of development during the second half of the decade due to financial and implementation problems, expenditure was further increased during the period beyond the high level reached in 1965.

39. Public development efforts were directed primarily at raising income and productivity and improving social and living conditions in the urban

and, particularly, the rural agricultural sectors. A new Ministry of National and Rural Development was established to ensure the successful implementation of the rural development programme. The Operations Room technique was evolved to monitor implementation, so that bottlenecks and delays could be swiftly identified and resolved. To enlist the participation of the people in both the planning and implementation of development, the Red Book system was introduced and "gotong royong" (self-help) encouraged.

1. RURAL DEVELOPMENT PROGRAMME

40. In *agriculture*, emphasis was given to land development, drainage and irrigation and rubber replanting. Development expenditure for these three programmes accounted for more than three-fourths of public development expenditure on agriculture during the 1960's. Expenditure on *land development* in West Malaysia surged from $17 million during 1956-60 to $130 million during 1961-65 and $310 million under the First Malaysia Plan. An additional $54 million was spent on land development in East Malaysia during 1966-70. More than 800,000 acres were opened under public sector programmes during the decade. The aim was not merely to increase the number of farms in the country but, more importantly, to provide farm holdings of an economic size based on modern techniques of agricultural production and management.

41. In West Malaysia, the major land settlement schemes were undertaken by the Federal Land Development Authority (FLDA). From 10,500 acres opened up in 1960, the FLDA steadily increased its rate of land development to 51,500 acres in 1970. Up to 1970, the Authority had developed 308,400 acres and settled 20,700 families on 90 schemes.

42. Not all types of land development achieved the degree of success of the FLDA. For example, several fringe alienation schemes had to be salvaged and rehabilitated by the Federal Land Consolidation and Rehabilitation Authority (FELCRA). The success of FLDA relative to other land development programmes highlights the importance of proper planning, management and supervision.

43. Apart from new land settlement, substantial investment was made in *drainage and irrigation* as part of the overall agricultural programme to raise productivity and incomes of farmers. During 1961-65 about 113,000 acres of padi land in West Malaysia were improved through irrigation facilities. A further 202,000 acres were irrigated during 1966-70. In addition, 173,000 acres of coconut, rubber and other crops benefitted from improved drainage during 1966-70. Drainage and irrigation were also provided to

more than 40,000 acres of padi and other crops in Sabah and Sarawak under the First Malaysia Plan.

44. Promotion of more efficient padi production helped raise the standard of living in the rural areas, where padi cultivation is the principal livelihood for more than a quarter of the agricultural labour force. Through drainage and irrigation, which made it possible for single-cropped padi areas to be double-cropped, and through use of high-yielding seeds and fertilisers provided on a subsidised basis, rice production rose by about 2.9% annually during 1961-65 and by 6% during 1966-70.

45. *Rubber replanting* was another programme which brought substantial benefits to smallholders as well as to estates. During 1966-70, about 304,100 acres of smallholdings were replanted in West Malaysia, while more than 12,000 acres were replanted in Sabah and Sarawak. Smallholder output rose by about 5% per year during 1961-65 and by 11% per year during 1966-70. Smallholdings, which constituted 63% of total rubber acreage in West Malaysia in 1970, accounted for only a little less than 50% of total production. The average yield on smallholdings, estimated at about 676 lbs. per acre in 1970, was still far below the average of about 1,016 lbs. per acre on estates. The lower average yield is explained largely by the fact that by 1970 only about 63% of smallholder acreage was under high-yielding rubber, compared to about 92% in the estate sector.

46. As a result of replanting, average yield per acre increased from 526 lbs. in 1965 to 676 lbs. in 1970 on smallholdings, and from 850 lbs. to 1,016 lbs. on estates. This increase in productivity from rubber replanting has helped to cushion the effects of declining rubber prices. In addition, smallholders' rubber is being increasingly processed into Standard Malaysian Rubber (SMR) so as to enable smallholders to obtain better incomes.

47. *Other programmes* for improving the rural and agricultural sector included rehabilitation of low-yielding coconut holdings, modernisation of fishing and assistance for poultry and livestock development. In general, while the assistance provided by the Government was extensive, private initiative played an even stronger role in raising production in these sectors.

48. Other means of raising rural incomes were also pursued. In 1965, the Federal Agricultural Marketing Authority (FAMA) was established to improve the marketing system and ensure that farmers obtain fair prices for their products. In 1969, Bank Pertanian Malaysia (Agriculture Bank) was set up to provide more effective machinery for extending and co-ordinating credit facilities to farmers on reasonable terms.

49. Apart from measures leading directly to increased output and income in the agricultural sector, a wide range of *programmes to improve living conditions* was undertaken in the rural areas. In West Malaysia, rural electrification was extended to 42,000 households during 1961-65 and to another 51,750 households during 1966-70. The development of water supply enabled a total of 1.15 million additional persons in urban and rural areas to be served with treated water during the First Malaysia Plan period, of whom 67,000 were in FLDA schemes. Community centres, playing fields, mosques and other social amenities were also provided. Rural transportation and communication were improved. Of the 3,500 miles of new roads constructed in West Malaysia during 1961-70, about 65% constituted rural roads.

50. Health facilities in the rural areas were expanded rapidly. In 1965 there were 39 main health centres, 122 health sub-centres and 643 midwives clinics in West Malaysia. By 1970, these numbers had risen to 44, 180 and 943, respectively.

51. One of the most significant programmes in the rural areas during the period was the improvement of educational facilities. A substantial portion of the education development budget was spent on replacement of sub-standard schools and the construction of larger schools in strategic areas to consolidate under-utilised schools. Under the First Malaysia Plan, secondary education facilities for rural children were greatly expanded, both by construction of schools in rural areas and by providing residential facilities in other schools to enable enrolment of rural students, particularly in science streams. As a result of these programmes, rural areas account for more than three-quarters of the primary schools and about half the secondary schools in West Malaysia. Similarly, enrolment and retention rates in rural areas were vastly improved. The standard of teachers and the availability of opportunities for science education at secondary levels also improved.

2. PROGRESS IN DIVERSIFICATION

52. Diversification of the economy was vigorously pursued. This diversification process included steps to modernise the *rubber industry*. Building on its strong research base and the knowledge and experience gained through years of being the world's foremost producer, Malaysia was able to strengthen its competitive position by reducing the cost of production and improving the quality of the product. As already noted, about 92% of estates and 63% of smallholdings were under high-yielding rubber by 1970. Despite only a marginal rise in total acreage from 4.4 million acres in 1960

to 4.8 million acres in 1970, output of rubber expanded at 5.2% annually during the decade. By 1970, also, SMR accounted for about one-fifth of total rubber exports. Despite these developments, the dependence on rubber has lessened over the years. Rubber as a proportion of total merchandise export receipts fell from 55% in 1960 to 39% in 1965 and to 34% in 1970.

53. The dependence of the economy on rubber and, to some extent, tin was progressively reduced over the period by the rapid expansion in the output of other products, particularly timber, palm oil and manufactured goods. Growth in *timber* production and exports during the decade exceeded all expectations. Exports of round timber more than doubled between 1960 and 1965. In 1970, export receipts were about two and a half times the 1965 level. Of the total receipts from round timber in 1970, Sabah alone accounted for more than 60%. Exports of sawn timber and processed timber products also expanded at a rapid rate although well below exports of round timber.

54. The *oil palm industry* also experienced very rapid expansion. The area under oil palm increased from 132,000 acres in 1960 to 264,000 acres in 1965 and about 665,000 acres in 1970. Production of palm oil grew from 90,000 tons in 1960 to 424,000 tons in 1970. Export receipts from palm oil and kernels rose from $71.6 million in 1960 to $273.6 million in 1970.

55. The rapid increase in *rice* production also contributed to diversification. As a result of increased production, imports of rice have declined from 346,000 tons in 1965 to an average of 330,000 tons for the two years, 1969-70. During the First Malaysia Plan period, two major irrigation schemes, the Muda and the Kemubu, were begun. When these schemes are completed, domestic production will approach self-sufficiency in rice in West Malaysia.

56. Output from *fisheries* expanded at 7.3% annually during 1961-65 and about 8% during 1966-70. A major factor accounting for the increase was the expansion in trawler fishing. Fish exports, too, grew gradually in importance. In 1970 exports of fish amounted to about $95 million. Increases in output of *pig and poultry* products were sufficient to meet rapidly growing consumption.

57. Among the *other crops* which acquired greater prominence during 1966-70 were tapioca, sugar cane, cocoa and maize. Tapioca cultivation has begun to take place on a large commercial scale. Significant progress was made towards the establishment of a sugar cane industry. Cocoa acreage, though small, has increased four-fold in the past two years to over 16,000 acres. Maize production increased but still meets less than a fifth of domestic

requirements. Research results are encouraging for the cultivation of maize as an off-season crop. The activities of the Malaysian Agricultural Research and Development Institute (MARDI), established in 1968, will facilitate research to exploit the potentials of these and other crops such as sorghum, sago, groundnuts, vegetables and fruits.

58. Diversification was pursued not only in agriculture but also in other sectors, particularly *industry*. The economy was strengthened by a rapid growth of manufacturing production during the decade. Net manufacturing output in West Malaysia rose at 9.9% annually during 1961-65 and at 10.4% during 1966-70. In consequence, the share of manufacturing in the Gross Domestic Product (GDP) rose from 8.5% in 1960 to 10.4% in 1965 and about 13% in 1970. The growth of manufacturing was oriented towards the home market and substantial import substitution had taken place in foodstuffs, beverages, tobacco products, petroleum products, cement, rubber and plastic goods, fertilisers, textiles and steel bars. It was also evident under the First Malaysia Plan that industries were increasingly turning to the export market. Exports of manufactured goods, though small, grew steadily at an average of 14.2% per year during the decade.

59. To assist and promote the *participation of Malays and other indigenous people in commerce and industry*, Majlis Amanah Ra'ayat (MARA) was established in 1966, by a reorganisation of the former Rural Industrial Development Authority (RIDA). Its activities included the provision of technical and financial assistance to Malay and other indigenous businessmen in new or existing businesses and the initiation of new industrial and commercial projects for later transfer to their ownership.

60. During the period 1966-70, MARA provided about 4,800 loans totalling $31 million for various projects. It established a number of companies in manufacturing and commerce producing such products as batek and batek garments, leather goods, handicrafts, sawn timber and timber products, tapioca starch and pellets and processed rubber. It built shop houses for Malay businesses, and entered into wholesale supply and contracting for construction materials. MARA also initiated bus services, and by 1970, MARA operated 360 buses, covering routes totalling 2,000 miles. Already, MARA had transferred six of its bus services to Malay concerns, leaving 33 bus services still under its direct operation.

61. In 1965 Bank Bumiputra was established as a commercial bank. Among its functions, it directed its attention to providing credit and banking facilities to assist Malays and other indigenous people in commerce, industry and other economic activities. Up to 1970, Bank Bumiputra had made

loans and advances totalling $134 million, a substantial proportion of which was granted to Malay individuals and businesses for housing development, construction, oil palm cultivation, logging and saw-milling, import and export businesses, manufacturing and small-scale commercial and industrial enterprises. In addition, the Bank also provided technical and advisory services especially to encourage Malays to make increased use of credit and other banking facilities and services.

3. GROWTH OF THE ECONOMY

62. As a result of the progress made in agriculture and industry, as well as in utilities, services and other sectors, Malaysia emerged at the end of the decade with a deeper, broader and stronger economic base. The share of exports of goods and services in the Gross National Product (GNP) decreased from 59.3% in 1960 to 47.7% in 1970, while the share of rubber and tin in total merchandise exports fell from 69% to 53.8% during the decade. The GNP grew at 6.1% per annum, which was higher than planned and also higher than the 5% target set for developing countries during the UN Development Decade. The rapid growth in income made possible increased public financing of education, health, housing and other social services to a rapidly growing population.

63. Despite the increase in the population at about 3% per year during the decade, *per capita* income rose from $806 to $1,080, an increase of over 30% during the period. This growth of income took place within a framework of relative price and financial stability. The retail price index rose by less than 1% a year and foreign exchange reserves were maintained at a comfortable level throughout the decade. The Malaysian currency continued to be strong and international confidence was further enhanced by the country's adherence to Article VIII of the International Monetary Fund (IMF) Agreement in November, 1968, and the subsequent designation by IMF of the Malaysian dollar as one of its convertible currencies.

III—OUTSTANDING PROBLEMS

64. Although rapid strides were made in development, the country continued to face the problems of poverty, unemployment and economic imbalance, particularly among racial groups.

65. *Poverty* was prevalent in the urban and rural areas, particularly among the unemployed and underemployed. The *unemployment* situation differed in various parts of the country. Sabah continued to experience manpower shortages in various skilled, semi-skilled and unskilled jobs, and had to supplement its manpower resources by an inflow of labour from outside

the State. On the other hand, in Sarawak, the problem of unemployment was probably as serious as in West Malaysia. The State faced a problem of finding enough jobs for the increasing number of school-leavers.

66. Data on employment and unemployment show that during the period 1962-67 employment in West Malaysia rose at an average of 2.7% or 70,000 persons a year while labour force growth averaged 2.9% or 77,000 persons a year. As a result, unemployment worsened from 6% of the labour force in 1962 to 6.6% in 1967, with the number of unemployed persons rising from about 155,000 to about 190,000.

67. The weakest part of the employment picture in 1962-67 was West Malaysia's largest industry, rubber. The estate sector of the industry reduced its work force by nearly a fifth during the period. This decline in estate employment was associated with both a decline in absolute estate acreage and a reduction in labour per acre of land. Employment gains in the oil palm sector and rubber smallholdings more than offset the reduction in rubber estate employment. However, net employment creation in agriculture was dampened by the poor employment performance of the rubber estate sector.

68. Sectors which did increase their employment rapidly during the period included tin mining, manufacturing, Government and community services, oil palm planting and forestry. Of the 350,000 new jobs created, more than half were in service industries*. A large share of these service jobs was created by the Government—in administration, education, health, military and police. Manufacturing made a contribution of 69,000 new jobs during the period. No more than 67,000 persons were absorbed into agriculture. This represents a share of only 19% in new job creation, whereas agriculture's share in total employment in 1962 was about 55%. Although some net movement out of agriculture is to be expected and desired, this wide gap between agriculture's share in existing employment and its share in new employment creation means that other sectors of the economy were burdened with the task of providing a much faster rate of employment growth than they could in fact attain.

69. In view of the dearth of current data, estimates of the 1970 position are approximate. West Malaysian labour force in 1970 is estimated at 3,150,000 and employment at 2,900,000, resulting in an unemployment figure of 250,000. For the First Malaysia Plan period it is estimated that labour force grew by an average of 2.9% a year and employment by 2.6%. The

* Include commerce; transport, storage and communication; and Government, community and personal services.

1970 unemployment rate is estimated at 8% of the labour force in West Malaysia, as compared to 6.5% in 1965. Given the rapid growth of labour force that took place, the decade thus ended with a worsening in the unemployment situation.

70. Despite the significant progress made in improving the economic well-being of the have-nots, *the problem of economic imbalance* remained. Although there were some movements out of agriculture as well as into more productive activities within the agricultural sector, a large part of the population continued to be engaged in low-income activities in the rural areas. Indications are that wide gaps in incomes and living conditions between the traditional sector (both rural and urban) and the modern sector continued to exist. They arose from differing opportunities for education, employment and ownership of or access to entrepreneurial resources. These differences were accentuated by the concentration of Malays and other indigenous people in the low-income activities.

71. A new strategy and approach have been adopted to deal with the problems of poverty, unemployment and economic imbalance. This new strategy and approach are discussed in Chapters I and III.

IV.—THE GROWTH OF OUTPUT AND INCOME, 1966-70

72. The rate of economic progress under the First Malaysia Plan measured in terms of overall output and income was impressive. The volume of output of goods and services or GNP in *constant prices* rose on an average of 6% per year. This exceeded the target rate of 4.9% growth in the Plan.

73. *At current market prices,* GNP increased at 6.5% per year from $8,637 million in 1965 to $11,821 million in 1970. This rate of increase, which was well above the estimated Plan rate of 4.8%, was attained despite a fall in the prices of the country's major export commodities. At the same time, import prices were estimated to have risen by slightly more than 1% per year. This adverse movement in the terms of trade cost Malaysia some $1,518 million over the period, or the equivalent of 2.9% of GNP on the average per year.

74. Because of the adverse movement in the terms of trade on the one hand and some moderate increases in domestic prices on the other, *real national income,* or the purchasing power of Malaysia's total income, rose at 5.3% per year, from $8,637 million in 1965 to $11,190 million in 1970. This was higher than the Plan estimate of 4.2% a year. *Per capita real income* rose from $917 in 1965 to $1,022 in 1970 or slightly more than a tenth during the period, despite population growth at about 3% per year. This

in turn is reflected in a higher real consumption *per capita*, which increased from $747 to $805 during the period (*see* Table 2-1).

TABLE 2-1

GROWTH OF PRODUCT AND INCOME, 1965-70

(In 1965 prices)

	1965	*1966*	*1967*	*1968*	*1969*	*1970*	*Average annual growth rate (%)*
Gross national product ($ million)	8,637	9,229	9,654	10,058	10,867	11,537	6.0
Real gross national income* ($ million)	8,637	9,176	9,267	9,654	10,654	11,190	5.3
Total consumption ($ million)	7,041	7,419	7,547	7,811	8,219	8,810	4.6
Population (000)	9,421	9,725	10,034	10,350	10,660	10,945@	3.0
Per capita product ($) ..	917	949	962	972	1,019	1,054	2.8
Per capita real income ($) ..	917	944	924	933	999	1,022	2.2
Per capita consumption ($)..	747	763	752	755	771	805	1.5

75. Both Sabah and Sarawak enjoyed a faster rate of growth than West Malaysia. Sabah's gross product in current prices is estimated to have grown at 10.7% per year, while that of Sarawak grew at 7.9%. West Malaysia's rate of growth averaged 6%.

V.—THE SOURCES OF GROWTH

1. THE EXPORT SECTOR

76. The growth of the economy during the first half of the decade was characterised by a rapid growth in domestic demand while exports were relatively stagnant. This sluggish trend in exports had been expected to continue through the First Malaysia Plan. The out-turn however surpassed all expectations. The volume of production of rubber, tin, timber and palm oil and practically every other commodity was higher than estimated, but the prices of rubber, palm oil and palm kernels did decline. The prices of tin, and round and sawn timber were somewhat less favourable than the Plan estimates. Total merchandise exports grew at a healthy rate of 6.3% on the average per year during 1966-70, as against a Plan forecast of slightly less than 1% annual growth. The growth of exports from year to year, however, was erratic. Most of the growth occurred in late 1968 and in 1969 when a recovery in export prices took place. In 1969 alone, the value of merchandise exports rose by 22.5%; this, together with a growth of 10.6% in 1968, more than made up for the decline of 3% in 1967 and the slow growth of 1.2% in 1966. It should be noted that the 1965 base itself reached

* Real gross national income is the purchasing power of the national product, after taking into account Price changes.
@ Subject to revision when the results of the 1970 Population Census are fully processed.

a higher figure than estimated in the Plan so that in absolute terms the export performance was even better than that suggested by the rates of growth.

77. Rubber and tin continued to dominate the export sector although their share of total merchandise exports declined during the period from 62.2% in 1965 to 53.8% in 1970. World demand for natural rubber displayed stronger growth during 1966-70 than in the preceding five years and during the period world consumption exceeded production. Despite this the price of natural rubber fell sharply during the first three years from 69 cts. per lb. in 1965 to 52 cts. in 1968. It recovered substantially to 68 cts. in 1969 due to a significant jump in world demand and a suspension of United States stockpile sales in that year. In 1970 world demand again faltered as a result of the slowing down in industrial growth in the advanced countries. The decline in the price of rubber was more than offset by larger export volume, which grew at 6.9% annually. As a result, the value of rubber exports grew at 3.4% a year during the period.

78. Production and export of tin also performed much better than expected. The high prices of tin which prevailed around 1965 stimulated production in Malaysia and other tin producing countries. These increases led to higher levels of world supply which to some extent produced a weakening effect on the price level. From 1965 the price declined until the latter part of 1968 when the price level began to pick up again. Over the period 1966-70, export volume rose by an average of 4.3% and export value by 3.1% per year.

79. The export performance of timber and palm oil was even better. In response to the sustained world demand for tropical hardwoods and semi-hardwoods, exports of round timber expanded at nearly 20% and sawn timber at 16% per year. Sabah and Sarawak accounted for about 62% and 23% of total round timber exports, respectively. Exports of plywood also rose significantly although the value of plywood and veneer exports was still less than 6% of total timber exports in 1970. By 1970 total exports of timber and timber products were rapidly catching up with tin as the second most important export commodity. Palm oil matched the high export growth rate of round timber. Growth in volume more than made up for the decline in palm oil prices, so that export value grew at close to 20% per year during the period.

80. Other export commodities which enjoyed high rates of growth were crude petroleum, largely from Sarawak, fish and fish products, pepper from Sarawak and coconut oil. Exports of iron ore and copra continued to decline

in both volume and value. There were moderate increases in exports of canned pineapples and petroleum fuels.

81. Together, the range of export commodities described above made up 90% of commodity exports in 1970. The remaining 10% consisted of minor commodities which included a growing range of manufactured goods.

82. In contrast to the buoyant performance of merchandise exports, service receipts as a whole were stagnant, notwithstanding a steady growth in tourism. The reduction in local expenditure by Commonwealth Forces acted as a drag on the growth of service exports.

83. Total exports of goods and services grew at 5.5% on the average per year during 1966-70, as against the Plan estimate of 0.6%. Sabah and Sarawak both achieved especially rapid growth. Exports from Sabah increased at about 11%, the bulk of which was saw logs. Of the rest, rubber, palm oil and fish products were prominent. Exports from Sarawak increased at an estimated 8% per year. Petroleum and petroleum fuels, saw logs, sawn timber and pepper accounted almost entirely for the rapid expansion of exports.

84. The export performance during the period is set out in Table 2-2.

2. DOMESTIC DEMAND

85. Total domestic demand in the economy grew at the rate of 6.2% per year during 1966-70, as compared to 6.1% estimated in the Plan.

86. Total *investment,* public and private, rose at an average of 6.4% per year. This rate of growth in investment closely corresponds to that of GNP so that the ratio of gross investment to GNP remained at 16.3% at the end of the Plan period, as shown in Table 2-3.

87. *Private investment* grew at an average annual rate of 9.6%, exceeding the Plan target of 6.8% per year. Over the period, private investment exhibited marked variations. After a rapid rise in the first two years, private investment declined in 1968 and 1969. In 1970 it shot up by 32.9%.

88. The expansion in private investment was characterised by a rapid rise in expenditure on machinery and equipment and, to a lesser extent, construction. On the other hand, expenditure on planting of perennial crops was sluggish during the first two years and declined rapidly after 1967. With a high proportion of estates already replanted in high-yielding rubber, investment in this area was largely in replanting and new planting on smallholder acreages and in oil palm development.

TABLE 2-2

EXPORT PERFORMANCE, 1965-70

	1965	1966	1967	1968	1969	1970	Cumulative total, 1966-70	Average annual growth rate (%)
Rubber								
Production (000 ton)	902.5	957.6	975.5	1,083.0	1,243.7	1,256.0	5,515.8	6.8
Export volume (000 ton)	950.7	997.1	1,026.9	1,153.1	1,333.5	1,324.1	5,834.7	6.9
Export value ($ million)	1,461.8	1,473.9	1,274.8	1,353.2	2,031.5	1,723.8	7,857.2	3.4
F.o.b. unit value (*c.* per lb)	69	66	56	52	68	58	—	
Tin								
Production (000 ton)	63.7	68.9	72.1	75.1	72.2	72.6	360.9	2.7
Export volume (000 ton)	73.9	72.4	74.4	87.0	90.4	91.0	415.2	4.3
Export value ($ million)	871.8	792.0	755.6	829.7	939.7	1,013.3	4,330.3	3.1
F.o.b. unit value ($ per ton)	11,797	10,939	10,154	9,535	10,395	11,135	—	
Round timber								
Production (000 ton)	6,870.0	8,746.5	9,589.6	10,770.6	11,546.0	12,470.0	53,122.7	12.7
Export volume (000 ton)	4,114.5	5,569.8	6,156.1	7,141.8	7,551.0	7,747.0	34,165.7	13.5
Export value ($ million)	262.3	384.8	475.2	548.9	601.5	642.7	2,653.1	19.6
F.o.b. unit value ($ per ton)	64	69	77	77	80	83	—	
Sawn timber								
Production (000 ton)	1,360.6	1,394.1	1,712.8	1,860.4	1,919.0	2,128.0	9,014.3	9.4
Export volume (000 ton)	520.8	496.3	592.3	772.4	845.5	960.8	3,667.3	13.0
Export value ($ million)	95.4	81.5	105.2	147.4	165.0	201.0	700.1	16.1
F.o.b. unit value ($ per ton)	183	164	178	191	195	209	—	

Veneer sheets								
Export volume (million square feet)	94.5	113.3	70.3	91.8	90.0	100.0	465.4	1.1
Export value ($ million)	4.1	6.3	2.7	5.1	3.0	5.0	22.1	4.0
F.o.b. unit value ($ per 000 square feet)	43	56	38	56	33	50	—	
Plywood								
Export volume (million square feet)	20.4	33.7	93.0	160.8	235.0	304.0	826.5	71.7
Export value ($ million)	3.0	5.0	14.1	23.0	34.0	45.0	121.1	71.9
F.o.b. unit value ($ per 000 square feet)	147	148	152	143	145	148	—	
Palm oil								
Production (000 ton)	148.0	186.7	222.2	278.5	346.2	424.4	1,458.0	23.5
Export volume (000 ton)	140.9	181.7	185.9	281.1	348.9	393.8	1,391.4	22.8
Export value ($ million)	107.3	120.1	116.0	124.5	151.8	263.1	775.5	19.6
F.o.b. unit value ($ per ton)	762	661	624	442	435	668	—	
Palm kernels								
Production (000 ton)	34.5	43.5	50.0	61.7	77.2	90.7	323.1	21.3
Export volume (000 ton)	18.7	23.3	24.9	35.0	38.0	26.6	147.8	7.3
Export value ($ million)	8.8	9.3	9.3	15.4	13.3	10.5	57.8	3.6
F.o.b. unit value ($ per ton)	471	399	371	440	350	395	—	
Petroleum (crude)								
Production (000 ton)	48.0	47.0	45.0	199.0	433.0	845.0	1,569.0	77.5
Export volume (000 ton)	1,829.0	2,211.0	2,628.3	3,798.5	4,076.4	4,743.3	17,457.5	21.0
Export value ($ million)	86.7	103.4	124.0	173.1	175.7	202.7	778.9	18.5
F.o.b. unit value ($ per ton)	50	46	47	46	43	43	—	

TABLE 2-2—(*cont.*)

EXPORT PERFORMANCE, 1965-70

	1965	*1966*	*1967*	*1968*	*1969*	*1970*	*Cumulative total, 1966-70*	*Average annual growth rate %*
Petroleum fuels								
Export volume (000 ton)	2,505.0	2,785.0	2,759.0	2,850.2	2,798.3	2,790.1	13,982.6	2.2
Export value ($ million)	164.2	179.2	166.6	172.4	162.6	155.9	836.7	−1.0
F.o.b. unit value ($ per ton)	46	64	60	63	58	58	—	
Iron ore								
Production (000 ton)	6,852.0	5,762.4	5,349.7	5,085.3	5,151.0	4,420.1	25,768.5	−8.4
Export volume (000 ton)	6,634.2	5,681.7	5,245.9	5,106.7	5,220.9	4,778.4	26,033.6	−6.4
Export value ($ million)	161.3	136.2	122.0	110.8	114.6	106.5	590.1	−8.0
F.o.b. unit value ($ per ton)	24	24	23	22	22	22	—	
Fish and fish products								
Landing (000 ton)	249.2	292.2	360.6	400.5	356.2	365.0	1,774.5	7.9
Export volume (000 ton)	63.4	69.1	66.5	87.3	81.5	89.4	393.8	7.1
Export value ($ million)	41.7	51.6	47.3	62.8	67.0	95.2	323.9	17.9
F.o.b. unit value ($ per ton)	658	747	711	719	822	1,065	—	
Canned pineapples (fruit and juice)								
Production (000 ton)	54.5	57.1	61.9	62.8	66.7	68.0	316.5	4.5
Export volume (000 tons)	53.0	58.0	61.7	65.9	64.3	62.2	312.1	3.3
Export value ($ million)	40.1	43.6	43.2	47.8	44.6	43.4	222.6	1.6
F.o.b. unit value (canned fruit) ($ per ton) ..	757	752	700	725	694	698	—	
F.o.b. unit value (pineapple juice) ($ per ton) ..	297	314	297	283	280	279	—	

Pepper									
Net export volume (000 ton)	18.5	13.8	20.2	23.8	22.3	23.0	103.1	4.5
Export volume (000 ton)	18.8	14.4	20.7	24.1	30.3	25.9	115.4	6.6
Export value ($ million)	44.3	35.8	37.4	36.4	55.4	59.1	224.1	5.9
F.o.b. unit value ($ per ton)	2,356	2,486	1,808	1,513	1,828	2,282	—	
Copra								
Production (000 ton)	159.1	186.2	163.9	176.1	185.1	190.0	901.3	3.6
Export volume (000 ton)	40.5	39.1	16.6	18.6	18.5	15.3	108.1	−17.7
Export value ($ million)	23.7	18.4	7.3	8.6	8.3	7.1	49.7	−21.4
F.o.b. unit value ($ per ton)	585	471	438	465	449	464	—	
Coconut oil (crude and refined)								
Production (000 ton)	67.8	90.0	91.3	96.2	89.2	93.0	459.7	6.5
Export volume (000 ton)	20.0	27.9	32.1	42.2	28.9	47.5	178.6	18.9
Export value ($ million)	18.2	21.8	25.1	40.6	24.3	42.5	154.3	18.5
F.o.b. unit value ($ per ton)	910	781	782	964	841	895	—	
Sub-total ($ million)	3,394.7	3,462.9	3,325.8	3,699.7	4,592.3	4,616.8	19,697.5	6.3
Other commodities ($ million)	387.9	382.9	397.0	422.8	459.1	533.9	2,195.7	6.6
Less adjustments ($ *million*)	33.6	52.8	43.8	52.5	65.4	61.7	276.2	
Total merchandise exports (f.o.b.) ($ *million*) ..	3,749	3,793	3,679	4,070	4,986	5,089	21,617	6.3
Services exports ($ million)	558	546	539	571	541	547	2,744	−0.4
Total exports of goods and services ($ *million*)	4,307	4,339	4,218	4,641	5,527	5,636	24,361	5.5

Note. Exports include re-exports and exports of materials imported for processing.

TABLE 2-3

INVESTMENT TRENDS, 1965-70

($ million, current prices)

	1965	1966	1967	1968	1969	1970	Average annual growth rate (%)
Malaysia							
Gross investment	1,411	1,498	1,595	1,601	1,582	1,928	6.4
Private	781	904	1,003	978	930	1,236	9.6
Public	630	594	592	623	652	692	1.9
Gross investment/GNP ratio	16.3	16.3	16.5	15.8	14.2	16.3	
West Malaysia							
Gross investment	1,143	1,206	1,310	1,313	1,256	1,521	5.9
Planting of perennial crops	201	202	207	167	155	146	−6.2
Machinery and equipment	344	385	343	360	367	494	7.5
Construction and other works	592	593	662	708	728	755	5.0
Land	4	6	6	6	6	6	8.4
Increase in stocks ..	2	20	92	72	—	120	

89. Private investment in the traditional areas of estate development and mining diminished in importance. New planting of rubber by estates had fallen to negligible proportions by 1965, and the total estate acreage continued to decline over the First Malaysia Plan period. In oil palm, estate acreage expanded rapidly as a result of the conversion of large acreages of rubber land. There were also considerable acreages of land alienated to the private sector which were not developed.

90. In tin mining, new investment diminished greatly. New mines that came into operation in recent years were mainly small gravel pump mines. The problem faced by the industry was that the quality and extent of known tin-ore reserves had gradually diminished. A number of mines had to work on previously mined areas and tin-tailings.

91. In manufacturing, investment had largely been directed to production for the domestic market. The opportunities for further investment in import

substitution industries gradually diminished and new investment began to look outward to the export market.

92. *Public investment,* after a remarkable growth of about 19% a year during 1961-65, was projected in the Plan to be maintained at about the estimated 1965 level of approximately $705 million. In the first two years, public investment was well below this level due in large part to difficulties in obtaining foreign financing. From 1968 public investment picked up, and continued to rise at a gradual pace through 1970. In the latter part of the Plan period, the increase in public investment was constrained more by implementation difficulties than by financing. Over the period, public investment grew at an average 1.9% per year, calculated from a substantial downward revision of the 1965 base; total public investment for the period was still short of the Plan target by slightly more than 11%.

93. In terms of public development expenditure*, however, the shortfall came to about 7% (*see* Table 2-4). The shortfall in Federal development expenditure was much larger, amounting to about 17%. On the other hand, actual development expenditures of States and, to a lesser extent, Public Authorities were much higher than estimated in the Plan.

94. Public sector effort concentrated on agricultural and rural development which absorbed more than a quarter of total development expenditure. Industrial estates and other supporting facilities for industrial development were emphasised, while high priority was accorded to educational development to upgrade the quality of manpower, particularly in agricultural and technical skills. Less importance was given to transport and communications in West Malaysia than in East Malaysia, where the expansion of infrastructural facilities was accorded priority.

95. The degree of achievement differed among programmes. The FLDA exceeded its land development target, but shortfalls occurred in other land development programmes. In East Malaysia, land development proceeded satisfactorily. Drainage and irrigation, industrial estates and MARA's industrial projects achieved good progress. However, there were shortfalls in fisheries and livestock projects, agricultural research and agricultural training.

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* Public development expenditure differs from public investment, which excludes expenditure on defence, purchase of land, loans and grants to the private sector and expenditure on the creation of physical assets owned by the private sector.

TABLE 2-4

CONSOLIDATED PUBLIC DEVELOPMENT EXPENDITURE, 1966-70

($ million)

Sectors	Original Plan target	Estimated actual expenditure	Achievement (%)
Agriculture and Rural Development	*1,086.6*	*1,114.1*	*102.5*
Agriculture	267.5	308.3	
Animal husbandry	33.8	18.5	
Fisheries	22.3	9.0	
Forestry	12.4	14.9	
Drainage and irrigation	332.7	342.6	
Land development	375.9	363.6	
Others	42.0	57.2	
Mining	*1.3*	*0.7*	*53.8*
Industrial Development	*84.5*	*141.3*	*167.2*
Transport	*546.0*	*544.9*	*99.8*
Roads and bridges*	389.5	339.8	
Railways	21.3	50.9	
Civil aviation	21.5	61.1	
Ports	113.7	93.0	
Communications	*205.5*	*203.0*	*98.8*
Telecommunications	142.5	146.2	
Broadcasting	53.1	51.0	
Meteorological services	.3	1.2	
Posts	9.6	4.6	
Utilities	*786.3*	*681.4*	*86.7*
Electricity	584.3	530.6	
Water supplies	202.0	150.8	
Education and Training	*470.8*	*329.4*	*70.0*
Health and Family Planning	*189.4*	*146.6*	*77.4*
Social and Community Services	*315.1*	*276.1*	*87.6*
Housing	188.1	197.2	
Sewerage	21.6	9.6	
Others	105.4	69.3	

* Includes PWD plant and equipment.

Sectors	Original Plan target	Estimated actual expenditure	Achievement (%)
General Administration	*126.4*	*138.1*	*109.3*
Sub-total: Non-Security	*3,811.9*	*3,575.6*	*93.8*
Defence and Internal Security	*739.0*	*666.8*	*90.2*
Defence	600.0	532.4	
Internal security	139.0	134.4	
Total ..	4,550.9	4,242.4	93.2

96. In the field of *transport and communications,* shortfalls occurred in road development in West Malaysia because of shortage of implementation capacity and inadequate project preparation. Railway and port development expanded satisfactorily. In East Malaysia, road development proceeded smoothly, but port development was hampered as a result of delay in obtaining foreign assistance. Development of communications and power projects progressed well. However, water supply projects were underfulfilled.

97. In the field of *social development,* there was considerable shortfall in the education programme, particularly in vocational and technical education. This was due largely to inadequate implementation capacity, shortage of teaching staff and delay in obtaining foreign financing. The university expansion programme proceeded satisfactorily, but primary and secondary education programmes were behind schedule. Health projects also had shortfalls because of implementation and staffing problems.

98. Expenditure on *consumption,* public and private, which made up more than 80% of total domestic demand, rose at an average of 6.2% annually during 1966-70. Although this represents a lower rate than the Plan estimate of 6.5%, the total absolute increase in consumption was higher due to an upward revision of the 1965 expenditure base.

99. Growth of *public consumption* was particularly rapid, averaging 9.4% per year as compared to the Plan projection of 6.8%. While efforts were made to effect greater economy on expenditures, further increases were necessary to ensure the efficient maintenance and operation of projects created through past investment, and to meet the rapidly rising costs of education, health, defence and security.

100. *Private consumption* grew annually at 5.3%, or less rapidly than the projected Plan rate of 6.4%. The expenditure increase resulted from population growth and rising living standards.

3. DOMESTIC SUPPLY AND IMPORTS

101. On the *supply* side, data on value added by industry (in constant 1965 prices) in West Malaysia (*see* Table 2-5) show that *manufacturing* output advanced rapidly at 9.9% per year during 1966-70. Production increases covered a wide range of manufactures, including a variety of foodstuffs, beverages, tobacco products, textiles, wood, rubber and plastic products, cement, metal and metal products.

102. *Construction* grew more slowly during the period at an average of 4.1% per year as against 8% projected in the Plan. This relatively slower growth occurred because of shortfalls in investment levels. Construction generally accounted for just under one-half of gross capital formation.

103. The growth of domestically consumed *agricultural products* is estimated at about 6% per year. Thus production not only kept pace with the rise in population, but also enabled further import substitution. Fish, certain livestock, poultry and padi output made rapid advances. On the other hand, there were also commodities where supply response to demand was inadequate, especially fruits and vegetables, beef and dairy products.

104. In the *services* sector, transport and communications grew at 3% per year. Other services, including health and education, grew at 4.7%. Wholesale and retail trade grew at 3.2% while banking, insurance and real estate averaged increases of 10.2% per year.

105. On balance, the economy responded well to the growth in domestic demand. There was only a moderate rise in the domestic price level. Over the Plan period the Retail Price Index (1959 = 100) rose from 102.3 to 108.6.

106. Consumer goods *imports* grew relatively more slowly and declined as a proportion of total consumption from 19.1% to 16.6% during the period. This reflected the progress in import substitution which took place in food, beverages, tobacco products, textiles and many light manufactures. But capital goods imports grew rapidly and faster than the growth in total investment. As a proportion of total retained imports, capital goods imports rose from about 25.5% to 30.5%. Overall, imports of goods and services grew at an average rate of 4.9% per year.

VI—FINANCING ECONOMIC GROWTH

107. The First Malaysia Plan projected that gross national expenditure would expand at a faster rate than GNP, so that the net foreign balance would swing from a surplus to a deficit. This deficit was to be met by a net

TABLE 2-5

GROSS DOMESTIC PRODUCT BY INDUSTRY OF ORIGIN, WEST MALAYSIA, 1965-70

($ million, in 1965 prices)

Sector	*1965*	*1966*	*1967*	*1968*	*1969*	*1970*	*Average annual growth rate (%)*
Agriculture, forestry and fishing	2,066	2,220	2,269	2,481	2,704	2,877	6.8
Agriculture and livestock	856	911	902	964	1,056	1,140	5.9
Rubber planting	988	1,040	1,056	1,160	1,311	1,323	6.0
Forestry	84	108	110	133	141	156	13.2
Fishing	138	161	201	224	196	258	13.3
Mining and quarrying	587	609	627	645	623	619	1.1
Manufacturing	682	750	861	946	1,007	1,094	9.9
Construction	269	274	289	308	318	329	4.1
Electricity, water and sanitary services	150	171	185	194	205	221	8.1
Transport, storage and communication	284	285	300	305	312	329	3.0
Wholesale and retail trade	1,004	1,043	1,041	1,091	1,113	1,173	3.2
Banking, insurance and real estate	104	121	130	144	155	169	10.2
Ownership of dwellings	292	302	313	322	334	345	3.4
Public administration and defence	404	423	446	457	475	520	5.2
Services	710	745	784	804	835	893	4.7
Gross domestic product at factor cost	6,552	6,943	7,245	7,697	8,081	8,569	5.5

TABLE 2-6

EXPENDITURE AND SAVINGS, 1965-70

($ million, current prices)

	1965	1966	1967	1968	1969	1970	Cumulative total, 1966-70	Average annual growth rate (%)
Consumption Expenditure	7,041	7,533	7,944	8,269	8,668	9,496	41,910	6.2
Private	5,578	5,872	6,239	6,528	6,740	7,208	32,587	5.3
Public	1,463	1,661	1,705	1,741	1,928	2,288	9,323	9.4
Investment expenditure	1,411	1,498	1,595	1,601	1,582	1,928	8,204	6.4
Private	781	904	1,003	978	930	1,236	5,051	9.6
Public	630	594	592	623	652	692	3,153	1.9
Gross national expenditure	8,452	9,031	9,539	9,870	10,250	11,424	50,114	6.2
Foreign balance on goods and services	185	147	145	260	868	397	1,817	
Gross national product	8,637	9,178	9,684	10,130	11,118	11,821	51,931	6.5
Less: Net foreign transfers	−58	−106	−143	−143	−181	−180	−753	
Less: Consumption expenditure	−7,041	−7,533	−7,944	−8,269	−8,668	−9,496	−41,910	
Equals: Gross national savings	1,538	1,539	1,597	1,718	2,269	2,145	9,268	6.9
Savings/GNP ratio	17.8	16.8	16.5	17.0	20.4	18.1	17.8	
Investment/GNP ratio	16.3	16.3	16.5	15.8	14.2	16.3	15.8	

inflow of foreign resources plus a moderate drawdown of foreign assets. In the event, while domestic demand grew only slightly above the estimated rate, exports performed much better than expected. The net result was that GNP continued to exceed gross national expenditure, with a growing surplus in the current account of the balance of payments towards the end of the Plan period.

108. Gross national savings during the period continued to be buoyant, averaging 17.8% of GNP. Instead of a savings gap, as projected in the Plan, savings exceeded investment in every year.

109. The recent trends in national expenditure, GNP, savings and the net foreign balance (or balance on goods and services account) are shown in Table 2-6.

110. The effects of the surpluses which obtained on the net foreign balance and the savings-investment balance have implications for the balance of payments and the pattern of public finance.

111. The surplus on the net foreign balance, after deducting the growing deficit on foreign transfer payments, still enabled a strong current account surplus in the balance of payments to be attained during the period. However, this surplus did not automatically lead to a corresponding rise in Malaysia's foreign asset position. A large item, "errors and omissions", representing unrecorded payments and outgoings, had to be allowed for. This item grew to a substantial amount by the end of the Plan period and, apart from 1969, was large enough to more than offset the current account surplus. On the other hand, capital inflows, both private and official, played an important role in augmenting the pool of resources for development. Private long-term capital, including re-invested earnings of foreign companies, maintained a net inflow of around $155 million a year. Official capital receipts from project and market loans averaged about $76 million net a year. As a result the overall balance of payments attained a net surplus of $1,064 million for the five year period. Table 2-7 sets out the balance of payments position of the country for the period.

112. The trends in expenditure and savings indicated an excess of gross national savings over gross investment of the economy. However, this did not prevent a financing problem from arising in the public sector. Savings exceeded investment in the private sector while the reverse was true for the public sector. Table 2-8 sets out the resource balance between the public and the private sectors. The less favourable position of the public sector occurred despite the fact that Government receipts, including surpluses of

Public Authorities and net accruals of the Employees' Provident Fund (EPF), accounted for more than a quarter of GNP, having risen from about 22% in 1965 to 26% in 1970.

TABLE 2-7

BALANCE OF PAYMENTS, 1965-70

($ million)

	1965	1966	1967	1968	1969	1970	Cumulative total, 1966-70
Current account:							
Exports f.o.b.	3,749	3,793	3,679	4,070	4,986	5,089	21,617
Imports f.o.b.	3,218	3,233	3,202	3,427	3,505	4,055	17,422
Merchandise balance ..	+531	+560	+477	+643	+1,481	+1,034	+4,195
Services (net)	−346	−413	−332	−383	−613	−637	−2,378
Transfers (net)	−58	+106	−143	−143	−181	−180	−753
Current account balance	+127	+41	+2	+117	+687	+217	+1,064
Capital account:							
Long-term capital (net)	250	191	241	248	313	172	1,165
Private	150	169	130	185	140	160	784
Public	100	22	111	63	173	12	381
Errors and omissions including short-term capital movements (net)	−238	−399	−496	−388	−470	−329	−2,082
Net use of foreign assets*	−139	+167	+253	+23	−530	−60†	−147†
Capital account balance	−127	−41	−2	−117	−687	−217	−1,064

* (—) denotes accumulation and (+) denotes drawdown. † Excludes allocation of IMF Special Drawing Rights.

TABLE 2-8

SAVINGS, INVESTMENT AND RESOURCE BALANCE

($ million)

	1965	1966	1967	1968	1969	1970	Cumulative total, 1966-70
Public Sector:							
Savings*	300	386	449	520	627	734	2,716
Investment	630	594	592	623	652	692	3,153
Balance	−330	−208	−143	−103	−25	+42	−437
Private Sector:							
Savings	1,238	1,153	1,148	1,198	1,642	1,411	6,552
Investment	781	904	1,003	978	930	1,236	5,051
Balance	+457	+249	+145	+220	+712	+175	+1,501
National Economy:							
Savings	1,538	1,539	1,597	1,718	2,269	2,145	9,268
Investment	1,411	1,498	1,595	1,601	1,582	1,928	8,204
Balance	+127	+41	+2	+117	+687	+217	+1,064

* Includes net accruals of EPF.

113. The surplus of savings over investment in the private sector enabled the Government to maintain a high level of domestic borrowing. Domestic resources, including both the public sector current surplus and net domestic borrowing, financed as much as 83.5% of total public development expenditure during the five-year period. Financing from foreign resources provided only 16.5% as against the Plan target of more than 40%. The pattern of financing of the public sector development programme during 1966-70 is set out in Table 2-9.

TABLE 2-9

CONSOLIDATED PUBLIC SECTOR FINANCE, 1965-70

($ million)

	1965	*1966*	*1967*	*1968*	*1969*	*1970 (preliminary)*	*Cumulative total, 1966-70*
Government current revenue	1,732	1,943	2,164	2,260	2,482	2,807	11,656
Government current expenditure	1,645	1,793	1,969	1,989	2,118	2,397	10,266
Government current surplus	87	150	195	271	364	410	1,390
Surplus of Public Authorities	50	56	59	67	79	79	340
Public sector current surplus	137	206	254	338	443	489	1,730
Development expenditure..	792	837	815	847	862	881	4,242
Overall deficit	−655	−631	−561	−509	−419	−392	−2,512
SOURCES OF FINANCING:							
Net domestic borrowing*	408	282	529	424	343	286	1,864
Net foreign borrowing..	100	35	135	103	173	12	458
Foreign grants	84	93	56	46	28	20	243
Use of accumulated assets†	63	221	−159	−64	−125	+74	−53
TOTAL ..	655	631	561	509	419	392	2,512

* Includes borrowing from EPF † (—) denotes accumulation and (+) denotes drawdown.

CHAPTER III

Economic Balance

I.—INTRODUCTION

114. For economic development to make the maximum contribution to the achievement of national unity in Malaysia, the existing economic imbalances must be corrected. The Second Malaysia Plan is designed to strengthen the process of restructuring society in order to correct the economic imbalances or disparities among the major groups in the Malaysian society, particularly among the races. This process will lead to the creation of a society in which all Malaysians participate and share equitably in economic and social development.

II.—THE EXISTING SITUATION

115. A number of economic imbalances exists in the country. However, the imbalances of pressing concern occur in the pattern of ownership and control of economic activity, in the distribution of income as well as in employment. They are especially significant when the Malays and other indigenous people are compared with the non-Malays.

116. Full quantification of racial economic imbalances is not complete and continuing studies are part of the Plan. The primary responsibility for such studies rests with the central planning agencies, particularly the Department of National Unity. Available information is, however, sufficient to enable the formulation of a strategy to restructure the economy in order to achieve the goal of economic balance.

117. A useful way to show the existing economic imbalances is to look at the economy in terms of the following five sectors:

The Traditional Rural Sector which comprises uneconomic smallholder rubber, single-cropped padi, traditional livestock and other agriculture, gathering of jungle produce, inshore fishing, and dulang washing and small gravel-pump mining for tin.

The Modern Rural Sector which comprises estate agriculture (i.e., rubber, oil palm, coconut, tea and cocoa), FLDA schemes and double-cropped padi, commercial forestry, modern fishing and modern tin mining.

The Traditional Urban Sector which comprises those parts of manufacturing, construction, commerce, transport and services, in which work is done with little benefit from modern equipment or techniques; included are small artisans, petty traders, hawkers, stallholders, household servants, trishaw-riders, and other persons pursuing a multitude of activities requiring little or no initial skill or training.

The Modern Urban Sector which comprises technically advanced manufacturing, construction, commerce, utilities, transport, communications and modern services including the professions and the tourist trade.

The Government Sector which comprises Federal, State and Local Government administration and Public Authorities as well as the Police and Armed Forces.

118. While the above groupings of economic activities may not be precise in many cases, they are sufficient to indicate a picture of the structure of the economy distinguishing the traditional, low-productivity, relatively stagnant and economically backward activities from the modern, organised, relatively capital-using and more highly specialised and productive activities. They also show the location and orientation of the various activities as between rural and urban settings.

119. The classification of the economy into the five sectors shown above enables a general analysis of economic imbalances to be made in terms of income, employment and ownership and control of wealth.

1. INCOME IMBALANCES

120. Available data in West Malaysia indicate that average incomes of workers in the five sectors of the economy outlined above rank as follows:

Modern Urban Sector	High
Modern Rural Sector	Medium
Government Sector	Medium
Traditional Urban Sector	Low
Traditional Rural Sector	Low

In the above ranking, the high level of income is about one and one-half to two times that of the medium level of income and about three to four times that of the low level of income. About 60% of workers in West Malaysia is found in the Traditional Rural Sector and Traditional Urban Sector which provide a low level of income. Slightly less than one-fifth of workers in West Malaysia is found in the Modern Urban Sector which provides a relatively high level of income, and slightly more than one-fifth in the Modern Rural and Government Sectors which provide a medium level of income.

121. Besides these differences in the levels of income among the sectors, there are also racial income differences. These arise as a result of the identification of race with economic activity. With the major portion of working Malays still in the Traditional Rural Sector and with a good portion of working non-Malays in the Modern Urban Sector and the Modern Rural Sector, Malay incomes are generally lower than non-Malay incomes.

2. EMPLOYMENT IMBALANCES

122. Although available data show that the racial shares in total employment in West Malaysia are fairly representative of the racial composition of the total population, Malay employment is concentrated in traditional rural activities, where underemployment is prevalent. Thus Malay employment in the rural areas contains a significant amount of underemployment. The element of underemployment also exists in the Traditional Urban Sector, where there are more non-Malays than Malays. Malays are also inequitably represented in the higher level jobs.

123. There is at present not only an identification of race with vocation but also an identification of race with location. Malays are largely found in rural areas, employed in low-income activities in padi farming, fishing and rubber tapping. Non-Malays are mainly found in urban areas or estates, employed as shopkeepers, restaurant workers, factory workers, construction workers, hawkers and stallkeepers, petty traders, providers of commercial and household services and workers in organised, modern cash agriculture.

124. Malays now outnumber the non-Malays by a factor of nearly 3 to 1 in the Traditional Rural Sector, but in the Traditional Urban Sector, the position is reversed. In the Modern Rural Sector and in the Modern Urban Sector, the non-Malays outnumber the Malays by a factor of about 5 to 2, while in the Government Sector, Malays outnumber the non-Malays by about 5 to 3.

125. Surveys of the employment situations in 1962 and 1967 in West Malaysia showed that Malay employment* in the different sectors underwent significant changes. The most noticeable change was the decline of the Traditional Rural Sector as an employer of Malay labour and the increase of Malay employment in the Modern Sectors including the Government Sector.

126. The position of Malays in the job hierarchy in the Modern Sectors is on the average below that of non-Malays. In industries, for instance, the bulk of Malay employment is in the lower skilled and unskilled category. Malays are poorly represented in the other categories of workers such as managerial and professional, technical and supervisory, and clerical categories. Pioneer companies show a more balanced employment by race. But at the managerial, professional, technical and supervisory levels, Malays are still inequitably represented. Most of the higher positions are held by non-Malays and foreigners.

127. Progress has also been made in recent years in achieving a better occupational representation. The Socio-Economic Sample Survey of Households in West Malaysia, conducted in 1967/68 and covering some 30,000 households, showed that there were 119,000 persons in the professional, technical and related occupations. Of this, 74,900 persons or 63% were teachers. Malays accounted for nearly 40,000 or 53% of the teachers. In law, engineering, senior medical positions and in many other technical fields, Malay participation remained small. The great majority of educated Malays works in the public sector.

3. IMBALANCES IN OWNERSHIP AND CONTROL OF WEALTH

128. The ownership and control of wealth and the means of production—farms, forest concessions, mines, shops, factories, transport fleets, equipment, machinery, bank accounts—reflects still another aspect of the economic imbalances. However, it should be noted that in the Modern Sectors foreign ownership and control predominate.

129. Padi farms are practically all owned by Malays, but many of these are cultivated by Malay tenant-farmers. Of the total 4.2 million acres of land under rubber in West Malaysia at the end of 1970, 37% were owned by Malays, 42% by non-Malays and 21% by foreigners. About half the acreage of rubber estates in West Malaysia at the end of 1970 belonged

* "Employed" is defined as persons who worked for pay, profit or family gain at any time during the reference week; "employed" thus includes the "underemployed". "Unemployed" is defined as persons who were not employed but were actively seeking work and capable of accepting a job if offered one. Figures include citizens as well as non-citizens.

to Malaysians. The other half was owned by foreigners. Hardly any rubber estates (100 acres and above) were owned by Malays. Malays and non-Malays shared about equally in the ownership of the rubber smallholdings in West Malaysia estimated at slightly over two million acres. Three-quarters of the oil palm and coconut acreages on estates in West Malaysia at the end of 1970 were owned by foreigners; the remainder was practically all owned by non-Malays. About 308,000 acres of FLDA land cultivated with rubber and oil palm and settled predominantly by Malays do not significantly affect the overall disparity in the ownership in the rubber, oil palm and coconut industries.

130. An analysis of share capital of limited companies operating in West Malaysia at the end of 1969 indicates the following:

TABLE 3-1

OWNERSHIP OF SHARE CAPITAL OF LIMITED COMPANIES IN WEST MALAYSIA, 1969

	All Industries	
Companies incorporated in West Malaysia	($000)	(%)
Residents		
Malays	49,294	1.0
Malay interests	21,339	0.5
Chinese	1,064,795	22.8
Indians	40,983	0.9
Federal and State Governments	21,430	0.5
Nominee companies	98,885	2.1
Other individuals and locally controlled companies ..	470,969	10.1
Foreign controlled companies in Malaysia	282,311	6.0*
Non-Residents	1,235,927	26.4*
West Malaysian branches of companies incorporated abroad		
Net investment by Head Office	1,391,607	29.7*
Total ..	4,677,540	100.0

131. Table 3-1 shows the predominance of foreign ownership of share capital in limited companies in West Malaysia. Of the total $4,678 million share capital, 62.1% was accounted for by foreign interests compared with 22.8% by Chinese, 1.5% by Malays and 0.9% by Indians. Foreign interests

* These items show foreign ownership totalling 62.1%.

accounted for one-half to three-quarters of the share capital of limited companies in estate agriculture, mining, manufacturing, wholesale trade, banking and finance. They accounted for more than one-third of the share capital of limited companies in construction, retail trade and other industries.

132. The economic imbalances outlined in this Section, particularly those between the Malays and other indigenous people and the non-Malays, are a heritage of centuries of colonial policies and the result of the pattern of economic development during the colonial era. These economic imbalances can be corrected only over a period of time. Since Independence in 1957, the Government has made progress in correcting the economic imbalances and in building an economic structure which will be a firm foundation for a united and just Malaysia.

III.—GOAL OF ECONOMIC BALANCE

133. The policies and programmes of the Second Malaysia Plan are designed to restructure Malaysian society in order to correct the imbalances in income distribution, employment and ownership and control of wealth outlined above. The Government aims to create in time the kind of economic balance most conducive to the development of a just and harmonious Malaysian nation. The following paragraphs define the specific meanings of this goal.

134. Economic balance, in a growing and dynamic economy, refers to the equitable and legitimate sharing of the rewards and responsibilities of economic development. The principal reward of economic development—the growing income generated by the national economy—must be equitably distributed. Balance here means that those members of the Malaysian society who have benefitted relatively little from past development must now be assured ample opportunities to gain a fairer share of the increased goods and services that development brings. It means that those who now live in poverty, particularly in the Traditional Rural Sector and in the Traditional Urban Sector of the economy, must be equipped with the training and resources needed to improve their economic position.

135. Balance also refers to racial shares in management and ownership and in employment in the various sectors of the economy. At present, non-Malays and foreigners dominate the manufacturing and commercial sectors. As later Chapters of the Plan show, these two sectors, especially the former, will be major growing points over the next decade. The Government has set a target that within a period of 20 years, Malays and other indigenous people will manage and own at least 30% of the total commercial and

industrial activities in all categories and scales of operation. The Government has also stipulated that the employment pattern at all levels and in all sectors, particularly the Modern Rural and Modern Urban Sectors, must reflect the racial composition of the population. The Second Malaysia Plan, therefore, includes policies designed to ensure that rapid strides are made in the inter-sectoral movements of Malays and non-Malays from subsistence activities in low-income sectors to active participation in high-income sectors. It also includes programmes for the modernisation of activities in which Malays and other indigenous people are now predominant, especially padi and rubber farming and fishing.

136. The achievement of balance between the urban and rural sectors is yet another important objective. Rural life is part of Malaysian culture and values. Its continuation and its betterment is an integral part of a development process that puts primary emphasis on the creation of greater social welfare. Despite the progress achieved, development in rural areas still lags significantly behind that in urban areas. Such an imbalance affects income distribution and results in a failure to utilise resources in the most effective way. Malaysia has enormous land resources and vast agricultural potential. Projects for the increased and more effective use of this land form an important part of the Second Malaysia Plan. In addition, the Plan aims to provide schools, libraries, health facilities, housing, electricity, transportation, communications and other amenities of as good a quality in the rural areas as in the urban areas. Such amenities will make life richer and more rewarding for those who live in rural areas.

137. Similar considerations apply to the need to correct economic imbalances among the States. Variation in *per capita* GDP among the States is very high. The highest is estimated to be almost five times that of the lowest. Greater regional equality in terms of GDP *per capita* is another part of the balance goal. As is the case with urban-rural balance, the arguments in favour of regional balance transcend simple *per capita* measures. They rest more fundamentally on the notion that all regions in Malaysia share in the benefits of development.

138. Balance in all the dimensions outlined above includes an appropriate sharing of the responsibilities of development as well as the rewards. Thus the dislocations, sacrifices, hard work, saving and taxes, risk-taking and other costs that are the real sources of development must also be shared equitably. Tax policy, wage policy, employment policy, public financing arrangements and location of public investment projects are to be devised with the recognition that costs, as well as benefits, must be shared.

139. It is crucial that there be widespread recognition and acceptance that the rewards of development must be earned. In the search for balance in the development process, appreciation of this fact will facilitate a larger development effort as well as one which makes the most contribution to increased social welfare.

IV.—STRATEGY FOR ACHIEVING ECONOMIC BALANCE

140. The strategy for restructuring the economy and achieving the kind of economic balance most conducive to the development of a just and harmonious Malaysian nation has been formulated in the light of the existing situation as outlined in Section II of this Chapter. The strategy is founded on the philosophy of active participation, not on disruptive redistribution. It works in an ever expanding economy in which the growing volume of goods and services is enjoyed by all groups in the Malaysian society in such a manner that there is no feeling of deprivation by any group, and also in a manner which contributes to national unity.

141. The following paragraphs outline major elements of the strategy to achieve economic balance. They cover modernisation and the creation of new economic activities in the rural sector, education, urbanisation, regional development, general policies for racial balance and the role of the private sector and the States. Fuller details of these programmes are given in the sectoral Chapters in Part Two.

1. MODERNISATION IN THE RURAL SECTOR

142. The benefits of science and technology will be used increasingly to modernise the rural sector. Policies and programmes will be designed to transform the rural sector into a genuine dynamic force for agricultural and economic development. Agricultural research will be continued and stepped up to make further technical break-throughs and agricultural extension will provide the links between the benefits of science and technology and rising productivity and incomes for persons in the rural sector. Rural institutions, including education, will also contribute significantly in this process.

143. More new land will be brought under cultivation with modern techniques and managed on modern lines. It will be planted with a wider range of crops or utilised for livestock breeding to yield rising incomes. Land presently under cultivation will be improved through drainage and irrigation, application of fertilisers and other production inputs, and more intensive cultivation, e.g., double-cropping of padi, planting of off-season crops and inter-cropping. Institutions for credit and marketing and other

necessary productive facilities will be provided. A major new programme for the East Coast fishing industry will offer new opportunities and new resources to one of the more depressed sectors of the economy.

144. The development of infrastructural facilities such as roads, telecommunications, civil aviation, water supplies, electricity, information and broadcasting, schools and training centres, hospitals and clinics, housing and recreational centres in the rural sector will be aimed at modernising the sector. New transportation, communication and power facilities will provide closer links between the rural and urban areas, thereby bringing new contacts and new knowledge to the less developed regions of the country.

145. Of special importance to rural dwellers are the new secondary schools which will emphasise science and technology. These are to be primarily residential schools located so as to serve the needs of students from a wide area. The objective of these schools is to ensure that more rural students gain access to the kind of training that is required to enter science programmes at higher levels and to hold technical jobs in modern industry. Equally important, these schools will help create a mental outlook which is more conducive to the application of modern productive techniques in all areas of economic activity.

146. The Plan stresses the modernisation of rural areas that have heretofore been lagging behind the more rapidly developing West Coast areas of West Malaysia, and the urban enclaves in East Malaysia. The Plan is designed to benefit those Malaysians whose incomes are below the national average, since average incomes in rural areas are substantially below those in the big towns. Also, as the population of the rural areas is predominantly Malay and indigenous, these development programmes are a most strategic part of the objective of balancing the participation of Malaysia's several races in modern sector activities. Thus the Second Malaysia Plan's emphasis on rural development contributes to balanced development in all its dimensions.

2. EDUCATION

147. Education at all levels is another major component of the search for balance in the development process. Greater attention will be given to ensuring that Malays, other indigenous people and the poor of other races have greater access to higher education in the sciences and other disciplines essential for effective participation in modern activities. More scholarships and bursaries will be made available to these people to pursue courses of study in colleges and universities in Malaysia and abroad. Facilities for

higher education will be expanded so that it will be possible for all Malaysians to have access to the kind of education suited to their talents and interests.

3. URBANISATION

148. The introduction of modern industries in rural areas and the development of new growth centres in new areas and the migration of rural inhabitants to urban areas are essential to economic balance between the urban and rural areas and elimination of the identification of race with vocation as well as location. Policies will be designed and measures undertaken to foster the development of modern commercial and industrial activities in rural areas generally and in selected new growth centres in present rural areas in particular. This will speed up the exposure of rural inhabitants, particularly Malays and other indigenous people, to the influences of an urban environment. Industrialisation in existing areas will be further developed so that migrants, particularly Malays and other indigenous people, as well as persons already living in the areas, will play an increasing role in this development both in terms of ownership and control and in terms of employment at all levels.

149. The Plan includes a number of projects concerned directly with increasing the participation of Malays and other indigenous people in urban-type activities in existing towns and new growth centres. Included are projects that will provide business premises, finance, technical and marketing advice, training and business contacts to aid such persons in starting their own commercial ventures. Present employment requirements in regard to participation by Malays and other indigenous people will also be continued and extended to ensure that the employment pattern in business enterprises reflects the multi-racial nature of the population. Projects will also be included to bring about increased management and ownership by Malays and other indigenous people of modern urban industries. Finally, the Government itself through institutions such as MARA, PERNAS, UDA, MIDF and State Economic Development Corporations will establish new industries that are to be set up primarily to provide more opportunities for participation by Malays and other indigenous people.

150. The Second Malaysia Plan includes projects for the establishment of new manufacturing activities in areas which are now almost exclusively devoted to agriculture or mining. Greater geographic dispersal of industries will relieve dependence of employment on a few activities, in addition to widening contacts with modern and new approaches to economic activity and facilitating the spread of urbanisation.

151. The social and physical hardships of urban poverty are more severe than those of rural poverty. Creation of an urban economic environment in which the demand for labour is growing at a pace sufficient to provide jobs for all urban residents is the first step in reducing and eventually eliminating urban poverty. Thus emphasis is also placed on urban job creation in the Second Malaysia Plan. This emphasis includes training, formal and on-the-job, as well as promoting a high rate of growth of the manufacturing and commercial sectors. Along with this, urban renewal projects, public housing programmes, health and sanitation projects, recreation and youth projects will all be designed to help those in the low-income brackets.

4. REGIONAL BALANCE

152. The general policies for the modernisation of rural areas will make important contributions to regional balance. There are also projects for specific regions which will help to reduce the marked economic disparity among the States and within each State that now exists. Thus projects in the Jengka Triangle and Pahang Tenggara areas in Pahang and the Johore Tengah and Tanjong Penggerang regions in Johore are major efforts to develop natural resources to create new economic opportunities in relatively underdeveloped regions. These areas have been deliberately selected because of the extent and quality of their agricultural land and opportunities they offer to obtain economies of scale and make efficient use of limited managerial and professional manpower resources. These projects will not only benefit the present residents of the States concerned but, by relieving land pressure elsewhere, will also help to raise incomes in the rural economy generally. Other projects, principally the Muda, Kemubu and Besut irrigation schemes, all of which are regional in scope and sited in States with *per capita* incomes well below the national average, are designed to raise farm incomes.

153. Additional regional planning studies have been completed or are now underway. Studies for Trengganu, Penang and Malacca have been designed to identify opportunities for further development within already settled regions which are beset with fundamental economic problems.

154. Apart from continuing or completing regional projects already underway, a number of new programmes will be initiated which will emphasise regional balance and integration rather than output growth alone. One such project is the East-West Highway which will link Kelantan with the more developed West Coast. A regional study will also be undertaken for Kelantan to identify specific opportunities for development. In Trengganu, several projects based on the recommendations of the Regional Economic

Development Plan for the State are being implemented. Chief among these are the Besut irrigation scheme and the development of the Sungei Tong oil palm estate. Partly to counteract the closing of the Bukit Besi iron mine, a 15,000-acre public sector estate and an integrated timber processing complex will be set up in the Dungun district under the Plan. In Sarawak, in order to relieve the pressure for new agricultural land in the heavily populated First Division, a master plan to guide the development of a large region of unencumbered land within the Fourth Division will be undertaken.

5. OTHER POLICIES FOR RACIAL BALANCE

155. In order to bring about greater participation by Malays and other indigenous people in modern sector activities, the Second Malaysia Plan includes a large number of specific programmes designed for this purpose. Their objective is the creation of economic and social conditions that will foster greater participation by Malays and other indigenous people in an environment of growing opportunities for all Malaysians. The major policy approaches to this objective include:

(i) An essential part of the racial balance objective is the creation of a Malay entrepreneurial community. The development of that particular kind of motivation, skill and acumen that goes to make up an entrepreneur is a complex process. Formal training and education can help, but practical experience and perseverence are also necessary and these are often costly in terms of financial and other resources. Thus facilities will be established to provide special financial assistance to Malay entrepreneurs. Steps will be taken to identify promising projects and provide advisory as well as technical services. The Government's aim is to foster the emergence of a full-fledged Malay entrepreneurial community within one generation.

(ii) Special measures will be introduced during the Plan period to provide to Malays and other indigenous people business premises and physical facilities in existing urban centres. At the same time, care will be taken to avoid the creation of racially exclusive business areas. The accomplishment of such measures involves several Government agencies and close co-ordination of these agencies with the private sector. This will be done through UDA. As new towns and urban centres develop in consequence of the rural and land development programmes, similar care will be taken to ensure that Malay and other indigenous traders benefit from the opportunities in commercial activities.

(iii) Particular arrangements will be made for joint ventures between Malays and non-Malays and others. By these means the expertise, experience, and markets of the established organisations will be made available to the fledgling Malay firms. PERNAS is already active in this area.

(iv) A new small-scale industries service has been established to help promote the more rapid development of small-scale industrial activity in the country. This service will benefit all Malaysians, but will be especially important for Malays who are entering into the industrial sector for the first time. Small-scale enterprises have many advantages. They can serve a small market and operate in areas with little infrastructure, they can be established quickly, and require modest financing. Most importantly, they provide a good training ground for those with little experience.

(v) Along with these specific policies, the Plan period will see an intensified programme of research in additional means of increasing the extent of participation by Malays and other indigenous people. In the longer run, it is greater understanding and more knowledge about the modernising process that can provide the basis for new policies and new methods to achieve greater racial balance in the modern sectors of the economy.

6. THE PRIVATE SECTOR AND STATES

156. Evidently, balance in all the dimensions discussed above, cannot be achieved merely through the policies and programmes of the Federal Government. Incentive systems and transfers of funds to the States are vital, but of equal importance are the understanding and co-operation of both the private sector and the State Governments. Such co-operation is expected to occur as the content and rationale of the goal of economic balance becomes generally appreciated. Considerable attention is therefore being given to informing the public as to the nature of the balances sought and to the advantages to all communities that flow from the achievement of such balance. The Government expects that a socially responsible private sector will play a proper role to achieve the kind of economic balance and distribution which will promote a just, harmonious and progressive Malaysian nation.

CHAPTER IV

The Framework of the Second Malaysia Plan

I.—INTRODUCTION

157. The Second Malaysia Plan represents an important phase in the long-run development of the Malaysian economy and society. The Plan builds on the achievements of the past, deals with those problems which can be handled over the space of five years and lays the basis for significant progress towards the solution of the nation's basic challenges, which can be overcome only over a longer period of time.

158. The two prongs of the New Economic Policy of the Plan, namely the eradication of poverty and the restructuring of society to correct racial economic imbalance, are discussed in Chapter I and Chapter III and dealt with more fully in the sectoral programmes described in Part Two. The present Chapter deals with the employment and growth targets for achieving the objectives of the New Economic Policy.

II.—THE EMPLOYMENT TARGET

159. At the start of the Second Malaysia Plan the population of Malaysia numbers about 10.9 million*. This population is estimated to be growing at an annual rate of 2.8%; by 1975 it will reach approximately 12.5 million. In West Malaysia, where about 85% of the people live, death rates have been reduced by improved public health, nutrition, medical care and other factors to levels which compare favourably with those found in other parts of the world. Fertility rates are also falling as values change and Malaysians become increasingly aware of the advantages of having smaller families. This trend is most marked in the urban areas of West Malaysia. Despite these beginnings of a decline in fertility, the country will continue for at least the next 15 years to experience the problems posed by rapid

* This estimate is based on the preliminary results of the 1970 Population Census and other sources. It is subject to revision after the results of the Census have been fully processed.

population growth. The number of children to be educated and cared for and the number of new workers for whom jobs must be found will continue to grow at annual rates of around 3%.

160. The 1971-75 period is an especially challenging one from the point of view of job creation. As discussed more fully in Chapter VII, these five years will see rapid growth in the size of the labour force and dramatic advances in its educational attainments. The task, then, is to create enough jobs and the right kinds of jobs to make effective use of the more advanced education being received by young people. At the same time, the education system itself must undergo adaptation to prepare young job seekers for the types of employment likely to be available (*see* Chapter XIV).

161. In the late 1940's and early 1950's, birth rates increased in West Malaysia, while infant and toddler mortality rates began to decline. These trends are reflected in the hundreds of thousands of young people who are now entering the labour market. The labour force in West Malaysia is expected to grow at an average annual rate of 3.2% during the Second Malaysia Plan period. As a result, the West Malaysian labour force will number nearly 3.7 million by 1975. Adding in the expected East Malaysian total of nearly 800,000 persons, the entire Malaysian labour force will number 4.4 million. These figures are presented in Table 4-1.

TABLE 4-1

POPULATION AND LABOUR FORCE, 1970-75

(million)

	1970 (estimated)	*1975 (projected)*	*Average annual growth rate (%)*
Population			
West Malaysia	9.3	10.6	2.7
Sabah	0.6	0.7	3.3
Sarawak	1.0	1.2	3.0
MALAYSIA ..	10.9	12.5	2.8
Labour Force			
West Malaysia	3.1	3.7	3.2
Sabah	0.2	0.3	3.3
Sarawak	0.4	0.5	3.1
MALAYSIA ..	3.7	4.4*	3.2

* Figures do not add up to total because of rounding.

162. The overall employment target is to create new jobs at more than 3% a year and thereby hold the rate of unemployment at no more than 7.3% of the total Malaysian labour force. The problem of joblessness is being faced in West Malaysia and increasingly in Sarawak. Sabah, by contrast, continues to experience a tight labour market. In addition to the heavy stress on employment expansion, therefore, it is also intended to step up the rate of labour transfer to Sabah from West Malaysia.

163. Achievement of satisfactory performance in job creation is made more difficult by the changing characteristics of labour force entrants and the need to provide greater opportunities for more productive employment, particularly in the modern sectors. Increasingly, new job seekers are educated at least up to the level of the Lower Certificate of Education. The kind of employment they are looking for is typically urban and non-agricultural and it is often clerical or technical in nature. Economic development continues to increase the number of such jobs available, but often not at a fast enough rate to satisfy the ambitions of all young job seekers. Therefore a number of job seekers will have to accept employment in fields less preferred by them. Productivity should rise as jobs formerly done by persons with little or no formal education pass into the hands of workers who have on the average received six to nine years of schooling.

III.—THE GROWTH TARGET

164. Under the First Malaysia Plan the average income of Malaysians rose by 3.3% a year, or by about 18% over the period. During the coming five years it should be possible to maintain or even better this record of income growth. It is projected that GNP will increase at 6.5% a year during the period. *Per capita* income will thus grow at 3.7% annually, with the result that the average Malaysian will be receiving about one-fifth more income in 1975 than in 1970, i.e., $1,300 as compared to $1,080.

165. Table 4-2 shows the projected growth of GNP. As the Table indicates, the *real* output of the economy is expected to grow at nearly 7% annually, a considerable increase over the 6% average achieved under the First Malaysia Plan. As in the past five years, however, export prices in general are likely to follow a declining trend. Domestic price increases are expected to be moderate. Income in current prices will, therefore, grow slightly less rapidly than real output. Even so, a very healthy 6.5% average growth rate of GNP in current prices is projected. The purchasing power of Malaysians (what they can buy with their incomes) is projected to increase at 5.8% a year.

TABLE 4-2

GROSS NATIONAL PRODUCT, 1970-75

($ million)

	1970 (preliminary)	*1975 (target)*	*Average annual growth rate (%)*
Real output (1965 prices)			
West Malaysia	9,777	13,257	6.3
East Malaysia	1,760	2,774	9.5
Malaysia	11,537	16,031	6.8
At current prices			
West Malaysia	9,887	13,419	6.3
East Malaysia	1,934	2,811	7.8
Malaysia	11,821	16,230	6.5
Purchasing power (1965 prices)			
West Malaysia	9,353	12,178	5.4
East Malaysia	1,837	2,626	7.4
Malaysia	11,190	14,804	5.8

166. East Malaysia experienced especially rapid economic growth under the First Malaysia Plan. In current prices, East Malaysian GNP per head has now reached the West Malaysian level. To some extent this reflects a higher level of prices in East Malaysia, but there is no denying that recent economic growth in Sabah and Sarawak has been impressive. Again in 1971-75 income growth is expected to be faster in East than in West Malaysia.

IV.—EXPORT FORECASTS

167. Despite the significant increases in production for the domestic market, the Malaysian economy is still heavily oriented towards exports. Income and employment are highly dependent on the trends in export quantities and prices. In most years, exports constitute about 45% of GNP. International trade has been of significant benefit to the nation's economy, permitting Malaysia to specialise in becoming the world's largest and most efficient producer and exporter of natural rubber, tin and palm oil. Along with these benefits, however, the economy faces the risk that its smooth advance will be interrupted from time to time by sharp fluctuations in prices and incomes.

168. Malaysia will continue to be subject to export price movements over which it has little control. To the extent that prices of the major export items can be foreseen, it seems likely that they will fluctuate and in some cases decline in 1971-75. In general, very favourable trends in export volume are forecast, with the result that foreign exchange earnings will continue to rise at a moderate rate even if export prices generally decline. In the aggregate, the volume of goods and services exported is projected to grow at 6.7% per year on the average and the value to grow at 4.6%.

169. During the First Malaysia Plan period, satisfactory growth took place in both traditional and new export lines. Rubber and tin remained the two leading export earners, while wood products, petroleum and fuels, palm products and iron ore took lesser but still important roles. Together these commodities accounted for about 90% of merchandise exports, but a host of smaller items, including a number of manufactures, appeared on the export list for the first time and began to grow rapidly.

170. Significant export developments under the Second Malaysia Plan will include rapid increases in the volume of rubber, spurred by increasing production from replanted high-yielding varieties and the use of chemical yield stimulants; expansion of the wood product industries; very rapid growth in the output of palm oil and kernels; rising petroleum exports; and the probable emergence of copper from Sabah as a major export item. These and other favourable developments will contribute to substantial expansion and diversification of exports. Rubber and tin, which provided about 62% of all receipts from commodity exports in 1965 and still made up 53.8% of the total in 1970, are expected to decline to 47.7% by 1975 (*see* Table 4-3).

171. There will also be some setbacks in export performance. The principal difficulties foreseen at this time are a probable continuation of weakness in rubber prices, stagnation of tin production and severe depletion of exploitable reserves of iron ore. Exports of tin metal refined from imported ore are also expected to fall sharply from their high level in 1970. As in the past, vigorous efforts to raise productivity and lower costs will keep Malaysian natural rubber highly competitive in world markets. Tin mining has also benefitted from productivity gains and it may be possible generally to maintain output for a long time to come by mining new sources of ore and reworking old sources with more efficient methods. On the other hand, depletion of deposits is likely to reduce the West Malaysian iron mining industry to insignificance.

172. While the category "Other merchandise exports" is projected to grow at 4.5% per year, new Government policies to be implemented may produce an even higher rate. The export performance of new activities is especially important in the achievement of the employment and industrial growth targets discussed in later Chapters, and the impact of the proposed revision of export incentives is as important in this connection as in bringing about higher export growth.

TABLE 4-3

EXPORTS, 1970-75

		1970 (actual)	*1975 (projected)*	*Average annual growth rate (%)*
Rubber				
Volume	('000 metric tons)	1,345	1,985	8.1
Price	(cts./kilo)	128	117	..
Value	($ million)	1,724	2,320	6.1
Tin				
Volume	('000 tons)	91	73	−4.3
Price	($/ton)	11,135	10,800	..
Value	($ million)	1,013	788	−4.9
Round timber				
Volume	('000 tons of 50 cu. ft.)	7,747	10,080	5.4
Price	($/ton)	83	79	..
Value	($ million)	643	796	4.4
Sawn timber				
Volume	('000 tons of 50 cu. ft.)	961	1,041	1.6
Price	($/ton)	209	213	..
Value	($ million)	201	221	1.9
Plywood and veneer				
Value	($ million)	50	143	23.4
Palm oil				
Volume	('000 tons)	394	1,125	23.3
Price	($/ton)	668	400	..
Value	($ million)	263	450	11.3
Palm kernels				
Volume	('000 tons)	27	127	36.3
Price	($/ton)	395	370	..
Value	($ million)	11	47	33.7
Petroleum and fuels				
Value	($ million)	359	684	13.8

		1970 (actual)	1975 (projected)	Average annual growth rate (%)
Iron ore				
Volume .. ('000 tons)		4,778	1,100	−25.4
Price .. ($/ton)		22	19	..
Value .. ($ million)		107	21	−27.8
Copper				
Value .. ($ million)		—	100	—
Pepper				
Volume .. ('000 tons)		26	36	6.7
Price .. ($/ton)		2,282	1,900	..
Value .. ($ million)		59	68	2.9
Copra				
Volume .. ('000 tons)		15	36	19.1
Price .. ($/ton)		464	442	..
Value .. ($ million)		7	16	18.0
Coconut oil (crude and refined)				
Volume .. ('000 tons)		48	36	−5.6
Price .. ($/ton)		895	750	..
Value .. ($ million)		43	27	−8.9
Canned pineapple				
Volume .. ('000 tons)		62	85	6.5
Price .. ($/ton)		698	700	..
Value .. ($ million)		43	60	6.9
Other merchandise exports				
Value .. ($ million)		628	781	4.5
Less adjustments ($ million)		62	79	..
Total merchandise exports (f.o.b.) ($ million)		5,089	6,443	4.8
Service ("invisible") exports ($ million)		547	612	2.3
Freight, insurance, transportation		77	101	5.6
Travel		32	76	18.9
Investment income		223	286	5.1
Government transactions n.i.e. ..		151	70	−14.2
Other services ..		64	79	4.3
Total exports of goods and services				
Value .. ($ million)		5,636	7,055	4.6

NOTE. Exports include re-exports and exports of materials imported for processing.

V.—INVESTMENT TARGETS

173. High levels of public and private investment will be needed to sustain the rapid growth of production, employment and incomes sought under the Second Malaysia Plan. Fixed investments made during 1971-75 will also help generate economic growth in the ensuing years. The Plan envisages total investments nearly 50% greater than those made under the First Malaysia Plan.

174. Total development expenditure by the public and private sectors under the Second Malaysia Plan is targetted at $14,350 million. The public sector's share of this target is $7,250 million. Out of this targetted allocation, the *actual* public development expenditure will be at least $6,000 million. The private sector's share is estimated at $7,101 million. Total development expenditure under the Plan by both the public and private sectors will therefore be at least $13,100 million. At the minimum public development expenditure level of $6,000 million, it is estimated that public investment will total $4,307 million.* This figure refers to the creation of physical capital assets owned by public sector bodies. Part of the public development expenditure, amounting to $742 million, will finance the creation of assets in the private sector. With the private sector capital formation thus set at $7,843 million, the aggregate level of planned investment is $12,150 million, or 16.6% of projected GNP in 1971-75.

175. As emphasised in Chapter V, the Government will make every effort to raise public development expenditure above the minimum target level of $6,000 million. At the minimum level, $4,157 million of public investment would be obtained from the consolidated development budgets of the Federal Government, State Governments and Statutory bodies. In addition, an estimated $150 million of investment would be made through the ordinary budgets. Development expenditure of $1,693 million would be used for financing projects not classified as public investment.

176. A major trend in 1971-75 will be the increased use of public funds to create assets owned and managed by the private sector. The total sum involved is $742 million. Some of this public financing will go into private industrial investment through MIDF, MARA, PERNAS, State Economic Development Corporations and other bodies. However, the bulk of the funds will assist small-scale agriculturists to increase their incomes by improving their holdings. Included in this category are smallholder rubber replanting,

* Public development expenditure differs from public investment, which excludes expenditure on defence, purchase of land, loans and grants to the private sector and expenditure on the creation of physical assets owned by the private sector.

FLDA and other smallholder land development programmes. The remaining $951 million of public development expenditure would be spent on activities which do not involve physical capital formation: the acquisition of land and other property from the private sector, purchases of defence equipment and economic and social surveys and research. Table 4-4 provides a reconciliation of all these figures. Greater detail on the composition and financing of public investment is furnished in Chapter V.

177. Private investment is necessarily a dominant element in the dynamic growth of the economy. In 1968 and 1969, under the depressive influence of low rubber prices and other factors, private investment stagnated. However, in 1970, a vigorous recovery ensued. There is every reason to be confident of continued rapid growth of private investment in the Second Malaysia Plan period. One of the important favourable elements is the greatly expanded land development programme, most of which will open land for private ownership. Another is the stimulus to be provided to ancillary industries by the vigorous growth of agricultural output which is contemplated. This should give impetus to higher investment in mechanisation and processing facilities. In general, all major components of private investment should grow under the Second Malaysia Plan, including investments in industrial plant, mining (e.g., petroleum exploration and development), transport equipment and residential and commercial contruction. Further discussion of private investment prospects appears in Chapter VI.

TABLE 4-4

RECONCILIATION OF DEVELOPMENT EXPENDITURE AND CAPITAL FORMATION, 1971-75*

($ million)

	Cumulative total, 1971-75
Public sector	
Public sector development expenditure	6,000
Uses of public sector development expenditure—	
Public sector capital formation	4,307
Transfers and loans to finance private sector capital formation ..	742
Other public sector uses	951
Total ..	6,000

* At the minimum public sector development expenditure level of $6,000 million.

TABLE 4-4—(*cont.*)

RECONCILIATION OF DEVELOPMENT EXPENDITURE AND CAPITAL FORMATION, 1971-75

($ million)

	Cumulative total, 1971-75
Public sector capital formation—	
Financed from development expenditure	4,157
Financed from ordinary budget	150
Total ..	4,307
Private sector	
Total private sector capital formation	7,843
Financing of private sector capital formation—	
Financed from private sources	7,101
Financed by transfers and loans from public sector	742
Total ..	7,843
Development expenditure	
Public sector	6,000
Private sector	7,101
Total ..	13,101
Capital formation	
Public sector	4,307
Private sector	7,843
Total ..	12,150

178. Prospects for domestic savings and capital inflows from abroad in 1971-75 are also favourable. Thus, there will be no serious problem of financing the planned level of investment. This is especially true of the private sector. In the public sector, despite the rapid growth of recurrent expenditure requirements and the probable need to rely more heavily on

domestic borrowing measures than in the past, the minimum development expenditure level of $6,000 million is within the Government's capacity to finance. Should the expansion of administrative and implementation capacity permit a higher level of development spending, some additional financing effort will be required. Public finance is further discussed in Chapter V.

VI.—TRENDS IN MAJOR SECTORS

179. The projected growth rate for *real* output of 6.8% a year is within the productive capacity of the economy, as evaluated by studying its major sectors. One of the main reasons for the high growth forecast under the Second Malaysia Plan is that agricultural output and income are expected to grow more rapidly than in the past. Industrial and service output should maintain, if not improve upon, their recent records of growth.

180. Detailed information on sectoral growth rates is not yet available for East Malaysia. In general, the export industries, especially forestry and mining, are expected to provide the main impetus for growth. Other industries will grow at slightly slower rates, but will nevertheless experience very favourable growth trends. High levels of public development expenditure will continue to stimulate construction and other activities in East Malaysia.

181. As Table 4-5 indicates, nearly one-third of the GDP of West Malaysia originates in the agricultural sector. Output and productivity increases will be extremely vigorous in major portions of the sector under the Second Malaysia Plan. Production of rubber, palm oil and kernels, rice and fish should rise rapidly, as described in Chapter IX. Measuring output in constant 1965 prices, the projected growth rate of net agricultural output is 8.4% per year. It is estimated that declines in prices of some agricultural products will hold the growth of income originating in agriculture to 6.7% a year, still a very good performance by any standard. Growth of agricultural income at this rate will substantially improve both the magnitude and the distribution of West Malaysia's overall income.

182. At the same time, as stressed elsewhere in this Plan, growth of the non-agricultural sectors must be accelerated, so as to provide new jobs and widen opportunities for participation by Malays and other indigenous people in the modern sectors. According to present projections, value added in the industrial sector (manufacturing, construction and utilities)

TABLE 4-5

GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN, WEST MALAYSIA, 1970-75

($ million)

Sector	In current prices			In constant 1965 prices		
	1970 (preliminary)	1975 (target)	Average annual growth rate (%)	1970 (preliminary)	1975 (target)	Average annual growth rate (%)
Agriculture, forestry and fishing	2,607	3,598	6.7	2,877	4,301	8.4
Rubber planting	*1,103*	*1,436*	*5.4*	*1,323*	*1,852*	*7.0*
Agriculture and livestock	*1,130*	*1,603*	*7.2*	*1,140*	*1,837*	*10.0*
Forestry	*150*	*199*	*5.8*	*156*	*197*	*4.8*
Fishing	*224*	*360*	*10.0*	*258*	*415*	*10.0*
Mining and quarrying	556	484	−2.7	619	543	−2.6
Manufacturing	1,118	2,014	12.5	1,094	1,898	11.7
Construction	329	513	9.3	329	500	8.7
Electricity, water and sanitary services	232	365	9.5	221	332	8.5
Transport, storage and communication	345	447	5.3	329	406	4.3
Ownership of dwellings	354	431	4.0	345	410	3.5
Wholesale and retail trade	1,232	1,550	4.7	1,173	1,409	3.7
Banking, insurance and real estate	177	273	9.1	169	248	8.0
Public administration and defence	584	825	7.2	520	658	4.8
Other services	976	1,368	7.0	893	1,147	5.1
Gross domestic product at factor cost	8,510	11,868	6.9	8,569	11,852	6.7

will grow at 10.7% a year in constant 1965 prices. Reaching and, if possible, exceeding the growth target in this sector is an important condition for achieving the major goals of the Plan.

183. Mining output in West Malaysia is expected to decline in 1971-75. Other sectors of the economy will grow at around 5% a year.

VII.—THE GROWTH OF CONSUMPTION AND SAVINGS

184. The rapid growth of income targetted for the Second Malaysia Plan will permit considerable increases in private and social consumption at the same time as the percentage of GNP devoted to investment is slightly raised. Thus, the Plan offers both immediate benefits and a greater provision for the needs of the future.

185. Private consumption expenditure in 1970 is estimated at $7,208 million. With an estimated population of 10.9 million, this implies a national average of $661. In addition, social consumption—consisting of education, health, security and other services which benefit the community at large—is valued at $2,288 million in 1970, or $210 *per capita.*

186. The Plan aims at substantial increases in both these magnitudes. If Plan targets are achieved, average personal consumption will rise to $786 by 1975 and average social consumption to $260. Success with the objective of correcting economic imbalance will result in these substantially increased averages becoming ever more representative of the standards actually enjoyed by the large majority of Malaysians.

187. At the same time, as Tables 4-6 and 4-7 indicate, the Plan aims at sizable increases in total investment. To finance the higher investment total will require the nation to continue to save nearly one-fifth of its income. Projections indicate that the income growth to be achieved during 1971-75 will generate the required savings potential. It will then have to be ensured that adequate facilities and inducements are provided to retain these savings within the country and channel them through the various financial institutions to investors.

TABLE 4-6

GROSS NATIONAL EXPENDITURE, 1970-75

($ million)

	1970 (preliminary)	*1975 (target)*	*Average annual growth rate* %	*Cumulative total, 1971-75*
Consumption	9,496	13,087	6.6	59,107
Private	7,208	9,831	6.4	44,717
Public	2,288	3,256	7.3	14,390
Investment	1,928	2,801	7.8	12,150
Private	1,236	1,881	8.8	7,843
Public	692	920	5.9	4,307
Gross national product	11,821	16,230	6.5	73,067
Surplus on goods and services account	+397	+342	—	+1,810

TABLE 4-7

SAVINGS AND INVESTMENT, 1970-75

($ million)

	1970 (preliminary)	*1975 (target)*	*Cumulative total, 1971-75*
Gross investment	1,928	2,801	12,150
External surplus (+) or deficit (−)			
Goods and services	+397	+342	+1,810
Transfer payments	−180	−132	− 692
Current account	+217	+210	+1,118
Domestic savings	2,145	3,011	13,268
Domestic savings as % of GNP	18	19	18
Gross investment as % of GNP	16	17	17

VIII.—BALANCE OF PAYMENTS PROSPECTS

188. Income and production growth at the target rates set for the Second Malaysia Plan implies substantial increases in requirements for imported goods and services. Malaysia faces probable declines in export prices but likely increases in the prices of many imported items. Despite these adverse prospects, the balance of payments position will remain manageable over the Plan period.

189. In recent years imports have generally grown at moderate rates. At the same time, the composition of the import bill has altered considerably. Many consumption articles, including a number of manufactured items, which were largely or wholly imported in the past are now being supplied from local production. Local production of rice, traditionally by far the most important consumer good import, has recently begun to supply an increasingly large share of domestic consumption. There are, however, other types of imports which have grown as fast or faster than previously. A high level of investment requires considerable imports of machinery, transport equipment and building materials, despite the beginnings of domestic production of some of these items. The fastest growing element of imports is intermediate goods. Thus many of the industries whose production is replacing imports of finished goods are now importing raw and semi-finished products to be used as inputs. Imports of goods and services grew at an average rate of only 4.9% under the First Malaysia Plan, despite a rise of over 12% in the final year of the Plan.

190. The Second Malaysia Plan period will probably be marked by slightly more rapid import growth than in the preceding five years. This expectation is based partly on the faster projected investment growth and partly on the likelihood of price increases, especially for manufactures, in most of the countries with which Malaysia trades. Nevertheless, it should be possible to maintain a large surplus on the merchandise account of the balance of payments. Even after taking into account the deficit which is invariably experienced with respect to service items (especially freight and insurance, and interest and dividends paid to foreigners), the goods and services account should remain in comfortable surplus throughout the period of the Plan.

191. As shown in Table 4-8, the remaining item in the current account of the balance of payments is transfer payments to and from abroad. Private transfer payments have traditionally been a deficit item, principally because

of remittances made by one-time immigrants to their countries of origin. These remittances appear to be decreasing gradually and further decreases are expected between now and 1975. The Government transfers item is positive but small. As terms for foreign assistance become less favourable, grant aid received barely suffices to offset subscriptions to international organisations and other small payments made on this account.

192. There are two major sources of expected capital inflow in 1971-75. The first is official borrowing by the Federal Government and Statutory bodies from foreign and international financial institutions. The target for such borrowing under the Second Malaysia Plan is $720 million, over and above repayments of past loans. In view of the potential financing problem within the public sector, strong efforts will be made to increase such borrowing as circumstances warrant. Among the governing circumstances are the receptiveness of friendly governments and international bodies to Malaysia's needs, the speed with which bankable projects can be identified and developed and conditions prevailing in international financial markets.

193. The other major source of capital inflow is long-term investment by foreign limited companies wanting to do business in Malaysia. Such companies bring in capital as part of a "package" which includes production expertise, market connections and other advantages. Operating within a policy framework which ensures that Malaysia receives its share of economic and social benefits, such foreign private investment can play an important development role. Foreign investment will be welcomed in the future as in the past and its volume is expected to grow.

194. The remainder of the balance of payments consists of monetary and short-term capital investments, plus an errors and omissions item arising from incomplete statistical coverage of some other elements of the balance of payments. Future trends in these parts of the balance of payments are difficult to predict, but the overall expectation is that net foreign assets held by Bank Negara Malaysia and the commercial banks will remain approximately stable over the period of the Plan.

TABLE 4-8

BALANCE OF PAYMENTS, 1970-75

($ million)

	1970 (preliminary)	*1975 (target)*	*Cumulative total, 1971-75*
Current account			
Goods and services			
Receipts	5,636	7,055	32,051
Payments	5,239	6,713	30,241
Net position	+397	+342	+1,810
Private transfers			
Receipts	31	36	167
Payments	230	200	1,030
Net position	−199	−164	−863
Government transfers			
Receipts	47	54	287
Payments	28	22	116
Net position	+ 19	+ 32	+ 171
Balance on current account	+217	+210	+1,118
Capital account			
Long-term capital (net)			
Public	+ 12	+ 66	+ 720
Private	+160	+250	+1,090
Monetary and short-term capital movements, including errors and omissions ..	−389	−526	−2,928
Balance on capital account	−217	−210	−1,118

CHAPTER V

The Public Sector Programme and its Financing

I.—INTRODUCTION

195. The attainment of the objectives of the Second Malaysia Plan calls for a rapid growth of both public and private investment. Private investment is projected to grow at an average of 8.8% per year, while public investment is expected to grow at an average of 5.9% or more per year.

196. The Government will continue to encourage and assist private investment to fulfil its role in the Plan. Besides providing fiscal incentives, the Government will improve and expand the system of roads, railways, ports, power and other infrastructure facilities and provide trained manpower required for the further development of agriculture, commerce, industry and services.

197. The public investment programme, besides providing the physical and social environment to stimulate private investment, will increasingly become a more dynamic force in the economic life of the country through active and direct Government participation in industrial and commercial enterprises. In this way, the public sector will reinforce the role of private investment in enhancing economic growth, providing greater opportunities for employment and bringing about more balanced development among regions and among racial groups.

198. As public investment moves from the traditional activities such as road, school and hospital development into industrial and commercial enterprises, it will be entering areas in which decision making, organisation and management become increasingly complex and difficult. The public sector will not, however, depend on its resources alone to ensure that its projects are satisfactorily carried out. Wherever necessary, it will utilise the technical knowledge and management services of the private sector. This will be done through joint ventures and direct hire of private management

and consultancy services. Such services have already been used in a number of projects. There will be increasing opportunities for further joint participation between the public and private sectors in new commercial, industrial and agricultural enterprises.

II.—THE SIZE OF THE PUBLIC SECTOR DEVELOPMENT PROGRAMME

199. The total allocation of development expenditure for the public sector for the period 1971-75 amounts to $7,250 million. The detailed breakdown by sectors and by geographic areas is shown in Table 5-1. The Government will make a determined effort to implement the whole public sector programme; actual development expenditure will be at least $6,000 million. This level of actual development expenditure corresponds to a public investment figure of $4,307 million.

200. Public investment is less than public development expenditure due to a number of factors. Over $740 million of development expenditure undertaken by the public sector is classified as private rather than public investment. This amount includes expenditure on FLDA and other land schemes in which the ownership of the physical assets created rests with the settlers. It also comprises assistance for rubber replanting, grants and loans to private bodies and individuals for industrial and commercial projects and loans for new housing development. In addition, there are also items of development expenditure which do not directly contribute to an expansion or improvement in the nation's productive capacity and are therefore not classified as investment. The major items of such expenditure are purchases of land and outlays for defence.

III.—SECTORAL PROGRAMMES

201. Defence expenditure has risen rapidly over the years. Actual development expenditure on defence during 1966-70 was more than twice the amount of the preceding five years. The allocation for defence for the current Plan is 60% higher than the actual expenditure during the previous Plan. The allocation represents nearly 12% of the overall public sector development programme. Taking both defence and internal security development expenditure together, the percentage share increases to more than 15%.

202. The rapidly growing expenditure for defence and internal security is kept under careful review since it competes for the use of limited resources with other activities. Malaysia, with some valuable defence assistance from the United Kingdom, Australia, New Zealand and Canada, has been able to

TABLE 5-1

PUBLIC DEVELOPMENT EXPENDITURE, 1966-75

($ million)

	1966-70 (Estimated)					1971-75 (Allocation)				
	West Malaysia[1]	Sabah[2]	Sarawak[3]	Total	%	West Malaysia[4]	Sabah[5]	Sarawak[6]	Total	%
Economic	*2,210.8*	*278.3*	*196.3*	*2,685.4*	*63.3*	*3,898.76*	*555.55*	*416.66*	*4,870.97*	*67.2*
Agriculture and Rural Development	*911.2*	*116.2*	*86.7*	*1,114.1*	*26.3*	*1,570.86*	*198.40*	*151.60*	*1,920.86*	*26.5*
Agriculture	61.0	23.0	12.8	96.8	2.3	108.70	8.48	32.03	149.21	2.1
Rubber Replanting	116.3	10.0	42.6	168.9	4.0	210.40	8.25	50.43	269.08	3.7
Land Development (FLDA, FELCRA, Youth Land Schemes, Public Estates)	309.7	47.0	6.9	363.6	8.6	795.14	102.55	10.96	908.65	12.5
Drainage and Irrigation	328.5	8.4	5.7	342.6	8.1	228.17	15.39	12.93	256.49	3.5
Forestry	11.9	1.7	1.3	14.9	0.4	8.67	7.21	2.35	18.23	0.3
Animal Husbandry	13.9	2.7	1.9	18.5	0.4	37.01	3.83	3.26	44.10	0.6
Fisheries	5.3	2.1	1.6	9.0	0.2	39.79	2.18	3.87	45.84	0.6
Agricultural Credit and Marketing (Bank Pertanian, FAMA, Co-operatives, Padi Board and Rural Credit)	13.8	9.3	6.5	29.6	0.7	97.25	29.25	28.60	155.10	2.1
Agricultural Research (MARDI and Division of Food Technology)	8.8	3.0	1.2	13.0	0.3	34.03	13.26	2.92	50.21	0.7
Others	42.0	9.0	6.2	57.2	1.3	11.70	8.00	4.25	23.95	0.3
Mineral Resources Development	*0.4*	*0.3*	—	*0.7*	—	*0.50*	*0.18*	—	*0.68*	—
Mines Department†	—	—	—	—	—	—	—	—	—	—
Geological Survey	0.4	0.3	—	0.7	—	0.50	0.18	—	0.68	—

Commerce and Industry	*137.0*	*1.9*	*2.4*	*141.3*	*3.3*	*564.53*	*12.75*	*6.32*	*583.60*	*8.0*
National Corporation (PERNAS) ..	10.0	—	—	10.0	0.2	100.00	—	—	100.00	1.4
Majlis Amanah Ra'ayat (MARA) ..	50.9	—	—	50.9	1.2	73.00	—	—	73.00	1.0
State Economic Development Corporations (SEDC's)	—	—	—	—	—	45.60	—	—	45.60	0.6
Industrial Estates	19.3	1.9	2.4	23.6	0.6	4.40	12.75	6.32	23.47	0.3
Urban Development Authority (UDA)[7]	—	—	—	—	—	100.00	—	—	100.00	1.4
Malaysian Industrial Development Finance Bhd. (MIDF)	16.0	—	—	16.0	0.4	100.00	—	—	100.00	1.4
Malaysian Rubber Development Corporation (MRD)	2.6	—	—	2.6	0.1	35.00	—	—	35.00	0.5
Malaysian International Shipping Corporation (MISC)	10.1	—	—	10.1	0.2	46.00	—	—	46.00	0.6
Other investment in economic enterprises (including a new Development Bank[8])	7.3	—	—	7.3	0.2	45.05	—	—	45.05	0.6
Tourism	0.4	—	—	0.4	—	10.00	—	—	10.00	0.1
NISIR, SIM, NPC	0.3	—	—	0.3	—	5.48	—	—	5.48	0.1
Federal Industrial Development Authority (FIDA)	3.4	—	—	3.4	0.1	(10)[8]	—	—	(10)[8]	—
Others	16.7	—	—	16.7	0.4	—	—	—	—	—
Feasibility Studies	—	—	—	—	—	*23.26*	*0.10*	*7.00*	*30.36*	*0.4*
Transport	*355.9*	*108.5*	*80.5*	*544.9*	*12.8*	*794.50*	*243.30*	*150.56*	*1,188.36*	*16.4*
Roads and Bridges	161.3	79.8	68.2	309.3	7.3	505.10	123.67	64.79	693.56	9.6
Railways	47.0	3.9	—	50.9	1.2	85.70	8.02	—	93.72	1.3
Civil Aviation	40.3	14.3	6.5	61.1	1.4	49.76	46.60	12.40	108.76	1.5
Ports and Marine	82.9	5.8	4.3	93.0	2.2	122.94	60.26	46.59	229.79	3.2
PWD Plant and Equipment	24.4	4.7	1.5	30.6	0.7	31.00	4.75	26.78	62.53	0.9

TABLE 5-1—(*cont.*)

PUBLIC DEVELOPMENT EXPENDITURE, 1966-75

($ million)

	1966-70 (Estimated)					1971-75 (Allocation)				
	West Malaysia[1]	*Sabah*[2]	*Sarawak*[3]	*Total*	%	*West Malaysia*[4]	*Sabah*[5]	*Sarawak*[6]	*Total*	%
Communications	*159.5*	*25.1*	*18.4*	*203.0*	*4.8*	*287.31*	*65.54*	*47.17*	*400.02*	*5.5*
Telecommunications	118.7	13.8	13.7	146.2	3.4	222.95	38.44	37.00	298.39	4.1
Broadcasting	35.2	11.2	4.6	51.0	1.2	45.70	25.60	7.85	79.15	1.1
Postal	4.4	0.1	0.1	4.6	0.1	15.16	1.50	2.32	18.98	0.3
Meteorological Services	1.2	—	—	1.2	—	3.50	—	—	3.50	—
Utilities	*646.8*	*26.3*	*8.3*	*681.4*	*16.1*	*657.80*	*35.28*	*54.01*	*747.09*	*10.3*
Electricity	494.6	9.3	2.7	506.6	11.9	480.80	17.38	40.34	538.52	7.4
Rural Electrification	23.0	1.0	—	24.0	0.6	20.00	3.32	1.50	24.82	0.3
Water	129.2	16.0	5.6	150.8	3.6	157.00	14.58	12.17	183.75	2.5
Social	*644.7*	*54.0*	*53.4*	*752.1*	*17.7*	*836.02*	*123.93*	*107.43*	*1,067.38*	*14.7*
Education and Training	*286.9*	*16.5*	*26.0*	*329.4*	*7.8*	*458.89*	*36.00*	*42.37*	*537.26*	*7.4*
Ministry of Education	213.1	16.5	26.0	255.6	6.0	370.11	36.00	42.37	448.48	6.2
Industrial Training	0.8	—	—	0.8	—	3.70	—	—	3.70	0.1
MARA (Institute of Technology, Scholarships and Training)	73.0	—	—	73.0	1.7	85.08	—	—	85.08	1.2
Health and Family Planning	*114.2*	*13.0*	*19.4*	*146.6*	*3.5*	*171.08*	*25.00*	*17.57*	*213.65*	*2.9*

Social and Community Services	*243.6*	*24.5*	*8.0*	*276.1*	*6.5*	*206.05*	*62.93*	*47.49*	*316.47*	*4.4*
Housing	181.1	13.0	3.1	197.2	4.6	136.16	23.23	12.50	171.89	2.4
Sewerage	6.8	2.4	0.4	9.6	0.2	13.60	10.37	—	23.97	0.3
Culture, Youth and Sports	4.6	—	—	4.6	0.1	5.00	1.23	1.00	7.23	0.1
Community Services	42.8	9.1	4.5	56.4	1.3	32.98	26.04	33.51	92.53	1.3
Welfare	3.4	—	—	3.4	0.1	10.93	2.06	0.48	13.47	0.2
Aborigines	4.9	—	—	4.9	0.1	7.38	—	—	7.38	0.1
General Administration	*109.0*	*19.1*	*10.0*	*138.1*	*3.3*	*139.27*	*39.72*	*32.59*	*211.58*	*2.9*
Security	*645.7*	*7.3*	*13.8*	*666.8*	*15.7*	*994.07*	*54.60*	*51.40*	*1,100.07*	*15.2*
Defence	*532.4*	—	—	*532.4*	*12.5*	*813.07*	*24.60*	*12.40*	*850.07*	*11.7*
Accommodation	130.0	—	—	130.0	3.1	173.57	24.60	12.40	210.57	2.9
Equipment	402.4	—	—	402.4	9.5	639.50	—	—	639.50	8.8
Internal Security	*113.3*	*7.3*	*13.8*	*134.4*	*3.2*	*181.00*	*30.00*	*39.00*	*250.00*	*3.4*
Accommodation	83.4	7.3	13.8	104.5	2.5	140.20	30.00	39.00	209.20	2.9
Equipment	29.9	—	—	29.9	0.7	40.80	—	—	40.80	0.6
TOTAL ..	3,610.2	358.7	273.5	4,242.4	100.0	5,868.12	773.80	608.08	7,250.00	100.0

† Allocation of $0.5 million for mining equipment in the First Malaysia Plan had been transfered to Trust Fund.

1 Includes development expenditure of Statutory Authorities ($504.9 million) and States of West Malaysia ($267.2 million).

2 Includes Federal expenditure of $151.8 million.

3 Includes Federal expenditure of $254.7 million.

4 Includes development allocations of $518.6 million and $242.8 million from internal resources of Public Authorities and States of West Malaysia, respectively.

5 Includes Federal allocation of $381.4 million.

6 Includes Federal allocation of $383.1 million.

7 The allocation of $100 million for UDA will cover building of business complexes and commercial centres incorporating housing units. The division of this allocation between commercial and business complexes and housing incorporated therein has not yet been determined. The percentage in the Social sector will be proportionately adjusted to the extent of the allocation made for housing units, when finalised.

8 Token provision, pending the formulation of projects.

shoulder its rising defence and internal security costs without having to sacrifice important development needs. The growth in defence and internal security expenditure, along with general economic and social development expenditure, has nevertheless resulted in increasing strains on the financial position of the Government, as is discussed later in this Chapter.

203. The allocation for non-security development expenditure amounts to $6,150 million. The programmes for agriculture and rural development provide for a strengthening of past efforts to modernise agriculture in order to ensure that all parts of the sector become increasingly productive. Through an extension and deepening of the agricultural base, the development of agro-based industries will also be encouraged and pursued.

204. The programmes in the agricultural sector include:

(i) an acceleration of new land development to be undertaken by such institutions as FLDA, FELCRA and SEDC's;

(ii) completion of the three major irrigation schemes in the country, the Muda, the Kemubu and the Besut, and the provision of smaller schemes for other farm localities;

(iii) establishment of a National Padi and Rice Authority (NAPRA) to formulate policies and co-ordinate activities relating to the production, processing and marketing of padi and rice;

(iv) an acceleration in the pace of replanting and new planting on rubber smallholdings;

(v) further assistance for coconut rehabilitation schemes and assistance to replanting of pineapples with new high-yielding varieties;

(vi) establishment of livestock multiplication centres to propagate stock, particularly for dairy and cattle farming;

(vii) establishment of a fisheries development authority to encourage and assist fishermen in trawler and deep-sea fishing;

(viii) funding of research programmes for MARDI, establishment of more agriculture schools and expansion in the activities of FAMA and Bank Pertanian; and

(ix) setting up a network of institutions, such as Farmers' Associations, to organise and co-ordinate material and technical assistance and promote new technology and methods in farming and fishing.

205. The programmes in the field of commerce and industry provide for new enterprises to be set up through such institutions as PERNAS, MARA, UDA, MRD and SEDC's. These enterprises are intended primarily to help

train Malays and other indigenous people to participate more actively in commerce and industry and to promote the establishment of a Malay commercial and industrial community along with other racial groups in the urban centres of the country. They will also help to set up more industries in rural areas, smaller towns and new growth centres. These will include agro-based industries such as sawmills, wood industries and rubber processing factories, as well as a variety of other manufacturing activities. Provision has also been made for the development of additional industrial sites (including industrial estates in the East Coast of West Malaysia), training and loans to small and medium-scale businesses and enterprises through MIDF and other bodies.

206. Education and training receive high priority in the Plan. The allocation for the five years, amounting to about $537 million, is about 63% higher than the actual development expenditure during the last five years. Strong emphasis will be given to science, technical and vocational education and the upgrading and expansion of educational facilities in rural areas. This emphasis involves higher costs for education, in terms of both capital and operating expenditures. Higher expenditure levels are also entailed in providing places for the rapidly growing population of school-going age and expanding enrolments at the upper-secondary, post-secondary and higher education levels. Provision has also been made for an expanded industrial training programme under MARA and the Ministry of Labour and Manpower. Increased attention will be given to staff training in the various technical departments of the Government and in statutory bodies. The expansion of the education and training programme is designed to meet requirements in areas of growing labour demand such as public administration, business management, science and technology.

207. The allocation for transport development has increased substantially, amounting to nearly one-fifth of the total allocation for non-security expenditure. The programme provides for major additions to the main trunk road network, construction of new development roads which provide access to new areas of agricultural and mineral development and improvements to the existing road network urgently required to alleviate traffic congestion and accommodate the rapid growth of traffic. The expansion of the road network is also designed to facilitate the dispersal of industrial activities and to develop new growth centres. Railway investment will be undertaken to complete the dieselisation programme and acquire new rolling stock to take advantage of the increase in motive power. This will increase capacity and reduce costs of operation. The programme for port development will cater mainly for increasing traffic and the handling of

containerised cargo at Port Swettenham and at the major ports of East Malaysia. In addition, feasibility studies are to be undertaken for the establishment of new port facilities at Kuantan and Johore. Modernisation of airports and improvement and extension of runways have been provided for, in order to meet the rapidly growing air traffic on both domestic and international routes. The programme also provides for MAL requirements for equipment and aircraft servicing facilities and the establishment of flight information services for navigation control over Malaysian air-space.

208. In telecommunications, the allocation, which is about twice the actual expenditure during 1966-70, will meet new demand and help clear the backlog of applications for telephones. Efficiency will continue to be improved through modernisation and the progressive conversion to automatic exchanges.

209. The allocation for power development provides for a substantial programme to meet future demand, which is expected to nearly double within the next five years. Provision has also been made for an expanded programme of rural electrification. A substantial programme has been included for improving and extending the water supply systems in the country. The sewerage systems, particularly in the main municipality areas, will also be improved and extended.

210. Health and family planning, housing and other social services will be expanded and further improved. The main emphasis in the health programme is to improve facilities in the rural areas and ease congestion in hospitals. The allocation for housing provides for a sizable public housing programme and projects for slum clearance and urban renewal. An Urban Development Authority (UDA) has been established to improve planning, co-ordination and implementation of these activities. This Authority will also assist in the programme for setting up business premises in the major urban areas to facilitate increased participation in urban activities by Malays and other indigenous people.

211. Provision has been made in the Plan for development works as part of the programme to rehabilitate flood-affected areas. Roads and bridges damaged by floods and other facilities will be upgraded to ensure that essential communications are maintained in times of flood. Other measures to prevent and alleviate floods include the provision of a better drainage system in flood-prone areas and the establishment of a flood warning system. To provide better weather forecasting, a storm warning radar system and other equipment will be installed to improve the reception and processing of data from weather satellites. Weather information, as well as information on

rainfall and river water levels, will be fed into a central flood control point, both for immediate measures as well as for long-term planning.

212. Effective planning of flood control measures, particularly on the East Coast of West Malaysia, will be undertaken. The measures for flood control will be integrated into the planning and design of development projects, especially in drainage and irrigation schemes, river clearance, development of catchment areas and hydro-electric projects to harness the main river systems of the country. The siting of projects will take into account the susceptibility of areas to flood. More effective policy measures, including stricter enforcement of legislation, will be devised to provide better water conservation and safeguards against soil erosion, which causes silting of drains and rivers. All these measures will help to minimise the incidence and effects of floods.

213. The foregoing describes the broad range of programmes and the general focus of the public sector development effort under the Second Malaysia Plan. However, in a number of cases, much more work remains to be done to translate ideas into concrete projects and to move these projects from the planning stage to implementation. Thus as development proceeds planning work will be undertaken on a continuing basis. This applies to project identification and design to improve programme content and speed up implementation. It also includes studies aimed at the preparation of more comprehensive development proposals for States and regions, as well as economic and technical feasibility studies for a number of projects.

214. The Plan at this stage is also flexible, within the broad limits of sectoral allocations, to accommodate new proposals and new ideas. No annual phasing has been fixed at this stage for the specific sectoral programmes. Much will depend on the speed with which project planning and implementation take place in each of the sectors. The detailed review of the performance and progress of Plan implementation and the annual allocations will be made in the annual budget exercise.

215. The main attention of the Government during the five years will therefore be one of expediting implementation, particularly of the major economic programmes. Emphasis will be given to breaking bottlenecks which hinder the smooth implementation of the Plan so that public development expenditure will exceed the minimum level of $6,000 million.

IV.—THE FINANCING PROBLEM

216. The task of financing the public sector programme in the Second Malaysia Plan is more extensive and complex than in the previous Plan.

Firstly, the public sector role under the Second Malaysia Plan has been considerably extended in scope and importance to achieve the national objectives as compared to the First Malaysia Plan. The level of public investment that has to be financed is therefore much greater than before. Public investment, which grew at only 1.9% per year under the First Malaysia Plan, is expected to grow at a much faster rate of 5.9% or more per year during the Second Malaysia Plan period.

217. A further expansion in defence expenditure is also planned. The country has to rely primarily on its own defence capability and to do so requires high capital costs for equipment and a large budget for operating and maintenance costs. In view of the strong claims of both defence and development for increased expenditures, the financing task becomes more demanding.

218. On the resources side, foreign financing cannot be relied upon to the extent thought possible when the First Malaysia Plan was formulated. The experience of the last five years has shown that preparing projects to meet lenders' demands is a difficult and time-consuming process. In addition, loan negotiations and procedures often result in delays in getting projects started. While the utmost effort will be made to obtain larger amounts of foreign financing, including both project and market loans, it is clear that the bulk of the funds for financing the Plan will have to be sought from domestic sources.

219. The approach to the fiscal task will make allowance for the continuing need to provide incentives for new private investment. It will be necessary to accept some loss in revenue in the initial stages to provide for these incentives. This applies particularly to incentives to encourage greater employment creation and the dispersal of industries to less developed areas and to promote export-oriented industries.

220. Fiscal and monetary policies will operate to ensure that measures to obtain funds for public uses will still leave adequate financial resources to meet the needs of the private sector.

221. Finally, the task of mobilising financial resources will be pursued in such a way as to sustain the stability and strength of the monetary and financial situation in the country.

V.—FINANCING OF THE PUBLIC SECTOR PROGRAMME

222. The financing of public development expenditure under the Second Malaysia Plan relies on a combination of current surpluses of the Federal and

State Governments and Public Authorities, domestic borrowing and use of accumulated assets, supplemented by foreign borrowing and grants.

223. The current surplus of Governments represents an excess of revenue over current expenditure. The fiscal task is therefore directed at producing a surplus on the current budget which can be utilised to help finance the increasing level of development expenditure. The task involves ensuring that revenue increases at an appropriate pace, while restraining current expenditure from growing faster than necessary.

224. Under the First Malaysia Plan a substantial surplus on Governments' current account, amounting to $1,390 million, was realised. Heavy stress was placed on slowing down the growth of recurrent expenditure, which was reduced from over 10% per year in the first half of the decade to 7.8% during 1966-70. At the same time, through additional fiscal measures, Government revenue expanded rapidly at an average annual rate of 10.1%.

225. For the period 1971-75 current expenditure is projected to grow at 8.7% per year. This growth rate appears to be a minimum, since development expenditure, which has a direct impact on generating additional current expenditure, will be rising at a much faster rate during 1971-75 than during the previous five years.

226. Some increases in current expenditure are implicit in the process of development. There is a need to meet the costs of maintaining and operating the increasing number and widening range of development projects which have been established through past investment efforts. These include drainage and irrigation schemes, water supply systems, telecommunications, land schemes, roads, schools and hospitals. There are other increases in current expenditure which stem from ministering to the requirements of an expanding economy and a rapidly growing population. These include a variety of services such as health, education and social welfare and the maintenance of law and order. Current expenditure on this group of activities took up 51% of total Federal Government current expenditure during 1966-70 and this proportion is expected to rise to about 53% during 1971-75. Finally, as the role of the public sector extends in range and scope and as the economic system becomes more complex, growing current expenditure is also needed to provide for research, planning, evaluation and promotion, catering to the needs of both the public and the private sectors.

227. On the basis of a growth in Government current expenditure of 8.7% per year, total current expenditure for the five years 1971-75 is estimated at

$16,000 million. It is estimated that Government revenue will rise at 7.2% per year during 1971-75, totalling $17,260 million for the five years. This rate of revenue increase, which is faster than the projected annual growth of GNP of 6.5%, will raise the share of Government revenue from the present 23.7% to 24.4% of GNP at the end of the Plan period. At the projected level of current expenditure, this revenue growth yields a current surplus of $1,260 million over the period.

228. The Public Authorities as a whole are expected to increase their current surplus from $340 million during 1966-70 to $550 million during 1971-75. More than half of the surplus will come from the National Electricity Board. The remaining portion is expected mainly from the Sabah Electricity Board, the Sarawak Electricity Supply Corporation, the Port Swettenham Authority and the Penang Port Commission. The current surplus of the Public Authorities, together with loans and other assistance from the Federal Government and from abroad, will be more than adequate to finance their combined development expenditure programme.

229. Within the public sector there will be certain State Governments and Public Authorities which will have surplus funds and others which will be in deficit. The Federal Government, which plays a central role in meeting the requests for financial assistance from State Governments and Public Authorities, will have a major task of balancing the demand and supply of loanable funds. In recent years, State Governments and Public Authorities have responded to the needs of the Federal Government by converting a sizable quantity of their accumulated foreign assets to Government securities. There is every likelihood that a substantial part of the surplus funds of State Governments and Public Authorities will continue to be used for purchase of Government securities.

230. To ease the Federal Government financial position, States with surplus revenue will be expected to shoulder a larger share of responsibility in financing development projects which are within their purview. States which are in deficit will be urged to examine ways and means of raising more fiscal resources so as to lessen their dependence on the Federal Government.

231. The overall public sector current surplus, which comprises the current surpluses of Governments and Public Authorities, is estimated to aggregate $1,810 million during 1971-75. This is equivalent to about 30% of total development expenditure of the public sector. The overall deficit that emerges amounts therefore to $4,190 million.

232. Net borrowing from the non-bank private sector is estimated to yield $2,245 million for the five-year period. This represents a doubling of the amount which was realised from this source during 1966-70 and is approximately 37% of total public development expenditure, as compared to about 27% during the First Malaysia Plan period.

233. The bulk of the funds is expected to come from institutional sources. The Employees Provident Fund alone is expected to provide more than one-half of the total. Other major institutional sources will be other provident and trust funds, social security funds arising from the new Social Security Act and the Post Office Savings Bank. Insurance companies and finance companies, which are obliged to hold a certain proportion of local assets, are also expected to increase their purchases of Government securities. During the course of the Plan, additional debt instruments will be devised to mobilise a greater amount of the savings, particularly of households. Efforts to channel private sector liquidity into holdings of long-term Government securities will be intensified to help dampen any possible excessive growth in liquidity arising from the public sector deficit and the anticipated growth in foreign assets of the banking system.

234. Government net borrowing from the banking sector is estimated at $1,285 million for the five years. This estimate takes account of the resources available to the banking sector from the growth of savings and deposits on the one hand and the amount of additional net credit that it is expected to extend to the private sector on the other. The monetary goal is also aimed at providing greater opportunities for financial and portfolio investment of funds within the country and minimising the extent of any outward capital movement.

235. The other major consideration is to provide financial resources for expansion of bank lending to the private sector. Commercial banks are being encouraged to step up their lending operations, particularly for investment projects in industry, agriculture and housing development.

236. In addition to borrowing, the Federal Government is expected to draw marginally on its accumulated assets to help finance its deficit. On the other hand, States are expected to increase their own holdings of assets. Overall, there is expected to be a small net increase in the assets of the public sector during the period.

237. Foreign financing is expected to provide $910 million to help finance the overall public sector deficit. Of this total, net foreign loans account for $720 million and foreign grants $190 million. This foreign financing target

amounts to approximately 15% of total public development expenditure during 1971-75. This proportion is smaller than during 1966-70, when 16.5% of development expenditure was financed from foreign sources. However, in absolute terms the current Plan estimate for foreign financing is about 30% higher.

238. Gross receipts from project loans are estimated at $855 million or about 50% higher than receipts during the previous five years. Of this, project loans for Public Authorities constitute $297 million, most of which is for the National Electricity Board. Repayments on past project loans will amount to $242 million, so that net receipts from project loans will total $613 million.

239. New market borrowing is estimated to provide $450 million during 1971-75. After deducting repayments of $343 million, net market borrowing will amount to $107 million. This compares with a net amount of $41 million obtained from market borrowing during 1966-70.

240. By international standards, Malaysia's debt burden is light. Its capacity to undertake additional foreign debt, including servicing the interest payments and amortisation charges, is much larger than what it is called upon to shoulder during the current Plan. In 1970, total foreign debt of the public sector stood at $1,142 million or about 10% of GNP. If the projected foreign financing target is achieved, the foreign debt will rise to $1,862 million in 1975 or 11.5% of the estimated GNP in that year. The cost of servicing the foreign debt amounted to 2.2% of total export earnings in 1970. However, during the Plan period it will average 1.8% of total export earnings, rising from 1.5% in 1971 to 2.5% in 1975. In comparison, the ratio of debt servicing to export earnings of many developing countries in Asia currently amounts to over 10%.

241. Further evidence of Malaysia's capacity to undertake foreign debt is the substantial holding of foreign assets by the public sector and commercial banks. These assets represent Malaysia's own lending to foreign countries. At the end of 1970, Malaysia's foreign reserves amounted to about $2,520 million (excluding Special Drawing Rights). These reserves are expected to remain at a comfortable level throughout the Plan period.

242. Although the country's capacity to absorb additional loans is large and the debt burden still light, there is a cost to be paid on all borrowed funds. It is justifiable and indeed advantageous to borrow as long as there are projects which are economically viable and productive enough to repay the cost. In the Second Malaysia Plan, the priorities and needs of the public sector programme have been carefully considered to ensure that

all projects are justified in terms of the financial costs involved and the alternative uses of resources.

243. The various sources and methods of financing described above correspond to the minimum level of actual public development expenditure of $6,000 million over the period 1971-75. The estimates of the amounts and sources of financing are shown in Table 5-2. As previously noted, $6,000 million is considered a *minimum,* and concerted efforts will be made during the course of the Plan to improve on implementation so that the actual level of public development expenditure will be higher. On this basis, therefore, the financing proposals amounting to $6,000 million are also considered as minimum targets. As it becomes possible to exceed this level of expenditure, the Government will take measures to obtain the additional finance. The overall financing target will be reviewed in the course of Plan implementation and during the annual budget exercise. Any revision required will be made well ahead of financing needs to ensure that the Plan proceeds smoothly and satisfactorily.

TABLE 5-2

ESTIMATES OF CONSOLIDATED PUBLIC SECTOR EXPENDITURE AND FINANCING, 1966-75

($ million)

	Cumulative total	
	1966-70	*1971-75*
Governments' revenue	11,656	17,260
Less Governments' current expenditure	−10,266	−16,000
Current surplus	1,390	1,260
Add Public Authorities' current surplus	340	550
Public sector current surplus	1,730	1,810
Less Public sector development expenditure	−4,242	−6,000
Overall deficit ..	−2,512	−4,190
Sources of Financing		
Net foreign borrowing	458	720
Foreign grants	243	190
Net domestic borrowing from non-bank private sector ..	1,164	2,245
Net domestic borrowing from banking system	700	1,285
Use of accumulated assets and other adjustments (− means increase)	−53	−250
Total ..	2,512	4,190

CHAPTER VI

The Role of the Private Sector

I.—INTRODUCTION

244. Malaysia has long enjoyed and fostered a large and dynamic private sector. Virtually all manufacturing, mining and commercial activities have been carried out by the private sector, as have large parts of the agricultural activities. All foreign trade is conducted through this sector. Government policies have encouraged private sector development through a variety of inducements. Direct controls over private production, trade and finance have been imposed infrequently and sparingly. Private investment, both domestic and foreign, has been actively encouraged.

245. This liberal policy has resulted in substantial benefits to the economy. During the 1960's, private investment totalled $8,440 million, and accounted for a steady 60% to 70% of total investment. In recent years 65% to 75% of total savings of the economy took place in the private sector. These facts demonstrate that the successful implementation of the New Economic Policy under the Second Malaysia Plan depends significantly on the performance of the private sector.

246. The determining factor of change in the private sector is the decision to invest. The extent to which employment and distribution objectives as well as the output target are achieved depends on the level of private investment and its composition, that is, where it is located, the technology employed and its ownership and control. These criteria apply to both domestic and foreign investment.

II.—PRIVATE SECTOR ACTIVITY IN THE 1960's

247. Table 6-1 summarises the broad picture of private investment for the decade of the 1960's in West Malaysia. Several developments are particularly significant:

(i) *Total private investment* grew fairly constantly through 1967, after which considerable weakness appeared through 1969. In 1970, a remarkable recovery occurred when private investment jumped more than 30% from the 1969 level.

(ii) *Fixed investment* followed a similar general pattern, although the weakening in the 1967-69 period was less, and there was a more modest decline in 1969. Similarly the resurgence in 1970 was less substantial than for total investment but still quite favourable.

(iii) *Investment in perennial crops* grew consistently through 1963, then began a slight decline, and after 1967 a rather sharp decline set in. This category of investment, amounting to over 40% of the total in 1963, did not share in the surge of 1970.

(iv) *Investment in construction and equipment* showed a slightly different pattern. In the early part of the decade there was considerable weakness. Investment in this category declined in 1961 and 1962, and not until the beginning of the First Malaysia Plan did it begin to grow rapidly. Similarly there was less evidence of weakness even in 1969, and 1970 was an outstanding year for this category of investment.

(v) During the first half of the decade, *investment in traditional sectors* dominated the picture. This included not only perennial crops but also mining. Good rubber prices plus new high-yielding varieties encouraged new planting and replanting on estates. Almost 450 new tin mines were brought into operation in 1961-65. In the latter half of the decade the significance of these factors declined and investment shifted to new activities. In particular, *private investment in manufacturing* became much more important than in the first half of the decade.

TABLE 6-1

PRIVATE INVESTMENT, WEST MALAYSIA, 1960-70

($ million)

Year	*Total private investment* (1)	*Stock changes* (2)	*Fixed investment** (3)	*Perennial crops* (4)	*Construction and equipment* (5)
1960	499	25	474	163	311
1961	465	− 1	466	188	278
1962	540	57	483	210	273
1963	544	−15	559	220	339
1964	586	−14	600	208	392
1965	621	6	615	201	414

TABLE 6-1—(*cont.*)

PRIVATE INVESTMENT, WEST MALAYSIA, 1960-70

($ million)

Year	*Total private investment*	*Stock changes*	*Fixed investment**	*Perennial crops*	*Construction and equipment*
	(*1*)	(*2*)	(*3*)	(*4*)	(*5*)
1966	717	38	679	202	477
1967	813	119	694	207	487
1968	815	50	765	167	598
1969	753	—	753	155	598
1970	985	90	895	146	749
1966-70:					
Cumulative total	4,083	297	3,786	877	2,909
Average annual growth rate (%)	9.7	—	7.8	−6.2	12.6

The fact that 1970 investment showed such a large increase over 1969 indicates that the private sector has considerable confidence in and optimism about the future. It is on the strength of these recent developments that the targets for private investment in the Second Malaysia Plan are formulated.

248. Private investment in construction, machinery and equipment during the latter half of the decade accelerated, but it was not sufficient to offset completely the decline in perennial crop investment until 1970. The fact that private investment did not grow more rapidly from 1965 to 1969 was due largely to slackness in demand rather than to difficulties on the supply side. In particular, four factors dampened the growth of investment demand:

(i) The slow growth in income and employment in major sectors of the economy, especially agriculture, created only moderate needs to expand productive capacity to meet domestic demand.

(ii) Investment in new export-oriented activities was still relatively small. This is understandable since for new firms to enter directly into exporting poses numerous difficulties that are not present when sales are aimed primarily at the domestic market. It is therefore reasonable, even in the best of circumstances, to expect considerable lag between initiation of production and sizable exports.

* Investment in perennial crops (Column 4) plus investment in construction and equipment (Column 5) make up fixed investment (Column 3).

(iii) Institutional and organisational arrangements were not sufficiently geared to facilitating investment in new activities. This was true with respect to the flow of finance, types of skills available and entrepreneurial perspective, all of which affect investment.

(iv) Government fiscal and monetary policies and instruments were not able to stimulate private investment sufficiently to compensate for the marked slowdown in the growth of private sector demand.

249. Table 6-2 shows total private investment in East Malaysia and Malaysia. A breakdown into several categories is not possible here. The general picture for East Malaysia is similar to that for West Malaysia. Considerable weakness was evident in 1968 and 1969. The increase of 1970 over 1969 exceeded 40%, so that the average annual growth rate over the First Malaysia Plan period was 9.4%. For the entire country, the big increase in 1970 resulted in a 9.6% growth rate for the First Malaysia Plan period, in contrast to an annual 4.5% over the first four years.

TABLE 6-2

PRIVATE INVESTMENT, EAST MALAYSIA AND MALAYSIA, 1960-70

($ million)

	East Malaysia	*Malaysia*
1960*	110	609
1961*	108	573
1962*	102	642
1963*	123	667
1964	140	726
1965	160	781
1966	187	904
1967	190	1,003
1968	163	978
1969	177	930
1970	251	1,236
1966-70:		
Cumulative total	968	5,051
Average annual growth rate (%)	9.4	9.6

* The Federation of Malaysia came into existence in September, 1963.

III.—PRIVATE INVESTMENT IN THE SECOND MALAYSIA PLAN

250. The developments described in the preceding Section suggest that in the latter half of the 1960's private investment was shifting from traditional to new activities. Also, apart from the recovery in 1970, private investment was generally stagnant. For the Second Malaysia Plan period, the aim of policy must be to:

(i) Ensure that overall growth in private investment is sufficient to support the employment and output targets.

(ii) Ensure that this level of private investment will make the maximum possible contribution to the Plan's major objectives. In particular, the aim should be that (*a*) significant progress is made in increasing ownership and control of modern sector activities by Malays and other indigenous people; (*b*) all regions of Malaysia share in the growth of investment; (*c*) the flow of investment funds into new activities is accelerated; (*d*) the new industrial activities are, or will soon become, competitive in world markets; and (*e*) the volume and competitiveness of output of traditional products are increased further.

251. Investment is classified as private when the asset created is owned by private sector interests, even though financing may be provided by the public sector. The Government will finance, directly or indirectly, a significant amount of investment owned and operated by the private sector.

252. Table 6-6 shows the targets for private investment in Malaysia during the Second Malaysia Plan period. Total private investment is projected to grow at 8.8% per year and to reach a total of $7,843 million for the Plan period.

1. PRIVATE INVESTMENT TARGETS FOR WEST MALAYSIA

253. Table 6-3 shows the investment targets for West Malaysia. The most striking feature in the projection is the sharp increase in investment in perennial crops, largely rubber and oil palm, reversing the downward trend of 1964-70. To accomplish this demanding target requires the execution of major land development programmes, the details of which are described in Chapter IX. The land development programme is, to a large extent, financed and organised by the Government, chiefly through the FLDA. Much of the land developed by Government agencies will be operated and eventually owned by families in the private sector. Over the five-year period, investment in perennial crops totals $1,069 million.

254. Private investment in *residential construction* (included in column 5 of Table 6-3) is projected to grow strongly. Rising disposable income during the period is expected to contribute to a strong demand for home ownership. The Government will play an active part in housing development. It will also encourage the development of an effective mortgage system to tap the considerable liquidity of the economy. The recent establishment of a revolving fund from which public employees may borrow for the purpose of building or buying a house will also stimulate residential construction. The FLDA land development programme includes the building of 24,300 housing units. The SEDC's also have a number of housing projects in their plans which will result in additional residential construction. In these instances, Government financing plays a major role even though ownership will be with private individuals. Investment in residential construction is projected at $810 million for the Second Malaysia Plan period.

TABLE 6-3

PRIVATE INVESTMENT TARGETS, WEST MALAYSIA, 1971-75

($ million)

	Total private investment	*Stock changes*	*Fixed investment*	*Perennial crops*	*Construction and equipment*
	(*1*)	(*2*)	(*3*)	(*4*)	(*5*)
1970	985	90	895	146	749
1975	1,473	70	1,403	258	1,145
Cumulative total, 1971-75	6,175	292	5,883	1,069	4,814
Average annual growth rate (%)	8.4	—	9.4	12.1	8.9

255. *Non-residential construction plus investment in machinery and equipment* grew rapidly through the First Malaysia Plan and may be expected to continue such growth during the Second Malaysia Plan period. Policies and programmes to encourage investment in manufacturing and commercial activities will have a major effect on investment in these areas. On the basis of details discussed in Chapters X and XI, private investment in *manufacturing* is projected at $1,748 million and in *commerce* at $912 million. A number of new policies became effective in 1970 and, as noted above, estimates of investment in these sectors for 1970 show a major increase over 1969. Similarly, as described in Chapter IX, programmes in *agriculture* will result not only in large scale investment in perennial crops but also investment in new processing facilities for rubber, palm oil and kernels, new rice mills and additional agricultural equipment. Investments of these kinds in agriculture are expected to total $203 million.

256. The *construction sector* will have to expand its capacity if it is to meet the demands placed on it by the expected increase in residential construction and other building programmes. Some $223 million of investment is expected in this sector. The *mining sector* faces a less favourable immediate future as tin ore in traditional mining areas becomes less readily available. There will be some new investment, particularly in Malay Reserve areas. Also, continued offshore exploration for tin and petroleum holds the possibility that towards the end of the Plan period investment in these areas may begin to reach significant proportions. In all, $304 million is projected as the total investment in various mining activities.

257. Finally, in a growing economy a wide range of investment opportunities are created in activities that are not classified in any of the preceding categories. As the many programmes of the Plan get underway, and the economy builds on the buoyancy begun in 1970, the "Other" category of private investment (mainly investment in services) may be expected to grow rapidly. Stock changes fluctuate erratically, and it is difficult to make a firm forecast. In Table 6-3, stock changes are assumed to be about 5% of fixed investment. Stock changes are included in the "Other" category in Table 6-4 to give an estimated total of $906 million.

258. These projections for West Malaysia are summarised in Table 6-4. Table 6-5 compares total private investment targets for the Second Malaysia Plan with the levels actually achieved during the First Malaysia Plan.

TABLE 6-4

SECTORAL PRIVATE INVESTMENT TARGETS, WEST MALAYSIA, 1971-75*

($ million)

Manufacturing	1,748
Agriculture	203
Mining	304
Construction	223
Commerce	912
Other	906
Total ...	4,296

259. The target for total private investment for West Malaysia under the Second Malaysia Plan represents an increase of 51% over the total actually achieved during the First Malaysia Plan period. The projected annual average rate of growth of fixed investment is 9.4%, compared to a 5.2%

* Non-residential construction plus machinery and equipment and stock changes.

average rate during the 1966-69 period and 7.8% over the whole First Malaysia Plan period. This picture is altered when stock changes are taken into account, so that the projected growth in private investment under the Second Malaysia Plan, at 8.4% per year, shows a lower rate than that obtained under the First Malaysia Plan. This should not, however, detract from the fact that private fixed investment is targetted to grow at a faster rate in the Plan than in the previous five years.

TABLE 6-5

PRIVATE INVESTMENT, WEST MALAYSIA, 1966-75

($ million)

	1966-70	*1971-75*
Investment in perennial crops	877	1,069
Residential construction	3,206	810
Non-residential construction plus machinery and equipment and stock changes		4,296
Total ...	4,083	6,175

2. PRIVATE INVESTMENT TARGETS FOR MALAYSIA

260. Data do not permit a breakdown of the investment total for *East Malaysia*. Over the Second Malaysia Plan period, it is expected that the growth of investment in East Malaysia will be somewhat higher than in West Malaysia. Total private investment for the country is expected to grow at about 8.8% per year. The details are shown in Table 6-6. The projected average annual rate of growth of private investment is about twice that achieved in the first four years of the First Malaysia Plan period.

261. These are demanding targets and their realisation depends on the design and implementation of several new policies and on an effective means of financing.

TABLE 6-6

PRIVATE INVESTMENT TARGETS, 1971-75

($ million)

	West Malaysia	*East Malaysia*	*Malaysia*
1970	985	251	1,236
1975	1,473	408	1,881
Cumulative total, 1971-75	6,175	1,668	7,843
Average annual growth rate (%)	8.4	10.2	8.8

IV.—THE FINANCING OF PRIVATE INVESTMENT

262. Private investment will be financed by both the public and private sectors. Within the private sector funds originate from a variety of sources.

1. PUBLIC SECTOR FINANCING

263. The largest item of Government financing of private investment is the land development programmes. In the programmes of the FLDA and other Government agencies, funds are supplied by the agencies for equipment, fertilisers, clearing and planting, and the land settlers then supply most of the labour necessary to maintain and operate the acreage. Ownership of land under these programmes will eventually rest with the land settler. All investment on estates is now financed by the estates' own efforts, while Government financing is used to assist smallholders. Government funding of perennial crop investment is estimated to be $437 million under the Second Malaysia Plan.

264. Government financing of residential construction will be significant. The revolving fund to finance the building of homes by public employees will amount to over $30 million. Similarly the FLDA programme includes residential construction financed by the Government. Public financing of FLDA housing for individual ownership is expected to be at least $30 million. The major part of the publicly financed housing programme is retained under Government ownership and is therefore excluded from these figures. In all, over $60 million of private residential construction will be financed by the Government.

265. Government financing of private investment in commercial activities and manufacturing will be done through its contributions to PERNAS, MARA, MIDF and SEDC's. Projects for these various agencies under the Second Malaysia Plan, which include joint ventures with private interests, indicate that Government's contribution will add at least $230 million to these agencies' resources.

266. In mining investment, Government financing will be associated largely with the efforts to step up tin mining in Malay Reserves as well as offshore. Such financing is projected at $15 million.

267. These projections yield a total of $742 million for Government financing of the creation of privately owned capital assets, or 9.5% of the projected private investment total. This amount does not include the cost of Government supported in-service training projects. Neither does it include

the cost of new infrastructure built by the Government to service new private investment. Omitted also are equity investments by the MARA Unit Trust, which is an agency established to channel savings of individual Malays into modern sector activities. Finally, it does not include taxes foregone in the Pioneer and other incentive programmes. When all of these additional items are recognised, it is apparent that Government financing, direct and indirect, plays a strategic role in the realisation of the private investment targets of the Plan.

2. OTHER SOURCES OF FINANCE

268. Foreign investment has played an important role in the economic development of Malaysia. The results of a survey of limited companies in West Malaysia in 1967 show that, of a total of $360 million of investment expenditure by these companies, over $156 million was by foreign controlled companies incorporated in Malaysia or by branches of foreign firms operating in Malaysia. In 1969 about 62% of the share capital in limited companies was owned by non-Malaysian interests. Companies' net long-term capital inflow is estimated to have averaged over $150 million annually in the 1966-70 period, including re-invested earnings of foreign firms.

269. For the Second Malaysia Plan period, major efforts will be made to attract additional foreign investment. This investment will be in all sectors of the economy, but will be concentrated in manufacturing activities. The increase in actual investments, in applications by foreign firms for Pioneer status, and in inquiries as to possible arrangements for new activities in 1970 indicate that the new efforts have already begun to show results. Over the five years of the Plan, a target of $1,150 million for net private foreign investment is set. This figure includes funds obtained by the Government from abroad for re-lending, for example, World Bank loans to MIDF.

270. Retained earnings and capital depreciation allowances have accounted for over one-half of private investment in the recent past. These two sources may be expected to supply about $4,000 million. With a total investment of $7,843 million (*see* Table 6-6), there would remain some $1,951 million to be financed by bank loans and new equity capital. Malaysian banks are beginning to lend more and more for industrial purposes in contrast to the more conventional loans for trade purposes, and will play an increasingly important role as a source of long-term development finance. Similarly, the expansion of the activities of the stock exchange, MARA's Unit Trust, MIDF, PERNAS and insurance companies will provide means by which

individual savings can be chanelled into new equity investments. In addition, many small producers will continue to rely directly on their own and their family savings to finance their investment.

271. The financing of private investment under the Second Malaysia Plan is summarised in Table 6-7.

TABLE 6-7

FINANCING OF PRIVATE INVESTMENT, 1971-75

($ million)

Direct Government finance	742
Foreign financing	1,150
Capital depreciation allowances and retained earnings	4,000
Equity and loans	1,951
Total ...	7,843

272. As emphasised in Chapter IV, the savings rate in the economy appears adequate to provide the real resources necessary to achieve the investment target. What needs to be done is to ensure a rising demand for investment, adequate funds for those with viable projects and achievement of the maximum contribution to employment and balanced development. Government policies will be directed towards meeting these needs.

V.—POLICIES FOR PRIVATE INVESTMENT

273. Investment demand depends largely on expectations regarding the growth of the domestic economy and on such factors as the overall monetary and fiscal policies, infrastructure development, wage and material costs, the effectiveness of Government administration and the growth of the economies of Malaysia's major trading partners. Thus an essential ingredient of policy to reach the investment targets is the maintenance of a favourable economic and political climate in Malaysia. The surge of investment in 1970 suggests that, as the Plan gets underway, there does exist a general atmosphere congenial to a strong upward trend in private investment. The Government is committed to the continuation and maintenance of this favourable atmosphere.

274. In addition to these general policies, there will be a wide range of more specific policies and projects designed to affect both the rate and the composition of private investment. Details of such policies and projects are spelled out in the appropriate sectoral Chapters, and only their more general characteristics are reviewed here:

(i) Of the total land development target of about 750,000 acres in West Malaysia, 112,500 acres are expected to be developed by the private sector. Some 300,000 acres are to be developed in Pahang, 153,000 in Johore, 91,000 in Trengganu, and smaller amounts in other States. In East Malaysia, some 310,000 acres of land will be developed. This massive land development programme will not only create more employment and output in the agriculture sector, but will also provide new investment opportunities in non-agricultural activities in these areas. The land development programme is concentrated in rural areas, where Malays and other lower-income groups predominate, and will therefore contribute significantly to the reduction of poverty and racial economic imbalance.

(ii) Government policies to affect private investment in industrial activities are also scheduled to play a vital role. These policies include a variety of investment and export promotion measures. These measures are being designed in a manner that employment per dollar of investment is expected to be greater in the Second Malaysia Plan than it was over the decade of the 1960's. Additional incentives are to be provided to encourage the location of new industrial activities in areas other than the main urban centres. Modifications in export promotion policies are designed to encourage Malaysian producers to take advantage of export possibilities as well as to strengthen their competitive position. Finally, tariff protection will also be used to enable infant industries to become competitive in world markets.

(iii) Government will also institute a variety of formal and in-service training programmes that will encourage employment in general and ease the entry of Malays and other indigenous people into modern sector activities and enable them to become effective and productive workers.

(iv) New measures will be taken to facilitate the development of Malay and other indigenous entrepreneurs in both manufacturing and commercial activity. Such measures will result in greater participation by Malays and other indigenous people in these activities, and will help in the achievement of the overall private investment target.

(v) A number of technical surveys for various States have been made, and for several regions more formal master plans are being drawn up. For example, the studies of FIDA have identified investment projects totalling over $75 million that appear feasible in Sabah for the Plan period. These projects include industries based on wood, agriculture, minerals and livestock. FIDA has completed similar studies for Perlis and Kedah. These efforts will result in investment opportunities being identified and made known, as well as in the accumulation of detailed information on various parts of the economy. Such services are especially useful to small-scale industry and to new entrepreneurs.

(vi) Major innovations in financing and promoting new economic activities, especially for new Malay and other indigenous entrepreneurs, are also part of the policy package to reach the investment targets. These include the setting up of a small-scale industry consultancy service, the establishment of PERNAS, expansion of MARA Unit Trust and encouragement of a major effort by commercial banks to become more active as sources of longer term industrial finance. In addition, the necessary steps will be taken to establish a new development bank.

275. The private sector will continue to play an important role in achieving the social and economic objectives of the Plan. At the same time, the Government will step up its measures to affect both the level of private investment and the extent to which its composition, location, ownership, employment creation and other effects contribute to these ends. A demanding and challenging target for private sector investment is established for the Plan period. That such a target is feasible rests on the existence of a favourable factor supply situation, a determination by the Government to pursue appropriate monetary and fiscal policies, a major land development programme plus a package of policies and projects designed to create the necessary incentives. Altogether, these factors will ensure that private investment makes its full contribution to the attainment of the Plan's social and economic objectives.

CHAPTER VII

Employment and Manpower Development

I.—INTRODUCTION

276. The creation of productive employment opportunities is an important element in the Plan's strategy to eradicate poverty and to correct racial economic imbalance. Job expansion at a rapid rate is necessary for the absorption of greater numbers of Malays and other indigenous people into modern sector employment, for sizable increases in incomes in rural areas and for a significant impact to be made on urban unemployment and poverty.

277. The task of employment creation during the Second Malaysia Plan period is an extremely challenging one because of the shortfall in job creation under the First Malaysia Plan and the anticipated acceleration in labour force growth during the 1970's. The task is further complicated by the changing educational composition of the labour force and by the need to provide more productive job opportunities to meet the objectives of eradicating poverty and correcting racial economic imbalance. To meet this challenge requires both a rapid expansion of the economy and specific policy measures to ensure an increased rate of employment per dollar of investment. In addition, the education and training programmes must be so designed that the supply of new skills is consistent with the demand generated by the growth of the economy.

II.—THE CURRENT MANPOWER SITUATION

278. Information on the current manpower situation remains incomplete and imperfect, especially for the East Malaysian States. However, it is sufficient to establish broad trends in labour force and employment growth during the First Malaysia Plan period. Overall, the West Malaysian labour force increased by some 15% during 1966-70, while employment is estimated to have increased by about 14%. Unemployment is estimated to have risen

by one and a half percentage points to about 8% of the labour force in 1970. Taking account of broader indications of trends in East Malaysia, it is estimated that 7.3% of the Malaysian labour force was unemployed in 1970.

1. WEST MALAYSIA

279. *Labour force.* In the First Malaysia Plan, the 1965 West Malaysian labour force was estimated at 2,678,000; it was expected to grow at 2.7% per year during 1966-70. More recent information indicates that the labour force was larger in 1965 and that its growth was about 2.9% per year (*see* Table 7-2). This rapid growth was the result of the surge in the post-war population; its impact on the labour force was already beginning to be felt in the early 1960's but was more pronounced during the First Malaysia Plan period.

280. Labour force growth during the period was marked by increasing numbers of young people entering the work force, usually with more years of education than previously. Data for the full period of the Plan in respect of these characteristics are not available, but those relating to the decade 1957-67 are sufficient to illustrate the trend.

281. Young people between the ages of 15 and 25 made up over 30% of the labour force. The expansion of education in the sixties, particularly during the First Malaysia Plan period, led to considerable upgrading of the labour force. Whereas less than 60% of the 1957 labour force had any formal education, by 1967 the share was nearly 75%. The supply of persons with ten years or more of schooling more than doubled during the decade.

282. *Employment.* Employment in West Malaysia was expected to grow fast enough during 1966-70 to absorb the 377,000 anticipated additions to the labour force. Estimates for the period indicate that while some 350,000 jobs were created, labour force growth, amounting to about 420,000 persons, was much higher than projected.

283. The rate of employment growth during the period averaged 2.6% per year (*see* Table 7-1). Job creation in most sectors of the economy met or exceeded the First Malaysia Plan targets. The major exception was agriculture, which accounted for more than 52% of total employment in 1965 but contributed less than 30% of the new jobs. The slack in the growth of employment in this sector was due largely to the fact that rubber estates divested themselves of a good portion of their work force. In 1962-67 alone,

some 54,000 workers, nearly 20% of the estate work force, were displaced from this sector. This decline in employment reflected some reduction in rubber estate acreage as well as efforts by estates to introduce cost savings in production. Although estate rubber output increased by nearly 4% per year total acreage tapped declined from 1.32 million acres to 1.28 million acres. More important, the number of workers per hundred acres tapped also dropped, from 21.7 to 18.1. Another factor contributing to the low rate of labour absorption in agriculture was the shortfall in land development described in Chapter IX. Overall, jobs created in agriculture fell about 60,000 short of the target set in the Plan.

284. The manufacturing and service sectors of the economy provided the bulk of the new jobs during the First Malaysia Plan period. Services, including commerce, provided nearly 50% of the new jobs, while manufacturing accounted for over 15% and construction nearly 4%. All these sectors thus contributed more to job creation than their share in total employment at the start of the Plan.

285. The expectation in the Plan that, with expansion and structural changes in the economy, there would be a strong demand for high-level and trained manpower was fully borne out. The economy was able to absorb a substantial portion of the educated manpower which became available. Analysis of the 1957-67 period shows that employment of persons with ten years or more education rose at 7.3% per year, well over twice the growth rate of total employment. Employment of those without any formal education, on the other hand, declined from 39% of the total in 1957 to 26% in 1967. During the decade, employment of professionals and technicians more than doubled, while craftsmen and production process workers increased by over 50%. The number of agricultural workers employed, on the other hand, increased slowly, with the sector's share in total employment falling from 57% to 50%. These changes reflect the increased supply of educated manpower as well as the structural changes and modernisation of the economy.

286. Expansion of the public sector during the period created an accelerated demand for high-level manpower, particularly in education and health services and in agricultural research and extension. These services also employed increasing numbers of sub-professional and other skilled manpower. Besides the demand created by the expansion in these areas, educated and trained personnel were also required to fill the large number of vacancies existing at the beginning of the Plan period and to replace expatriates previously employed. A large number of vacancies still exist in

TABLE 7-1

EMPLOYMENT BY SECTOR, WEST MALAYSIA, 1965-70*

Sector	1965 (000)	1965 Share of total (%)	1970 (000)	1970 Share of total (%)	Increase (000)	Average annual growth rate (%)	Share of new jobs (%)
Agriculture	1,350	52.1	1,454	49.5	104	1.5	29.7
Mining	66	2.5	64	2.2	−2	−0.6	−0.6
Manufacturing	217	8.4	270	9.2	53	4.5	15.1
Construction	90	3.5	103	3.5	13	2.7	3.7
Electricity, water and sanitary services	16	0.6	19	0.6	3	3.5	0.9
Transport, storage and communication	101	3.9	110	3.7	9	1.7	2.6
Commerce	287	11.1	340	11.6	53	3.4	15.1
Services	463	17.9	580	19.7	117	4.6	33.4
TOTAL	2,590	100.0	2,940	100.0	350	2.6	100.0

* Data on employment include employed persons under 15 years of age and those over 65 years of age, estimated at 40,000.

the technical and professional grades. Figures relating to the period 1962-67, which are the only data available in this regard, show that the public sector was the largest user of high-level manpower, while increasing demand for such personnel was also felt in other sectors. Significant upgrading of skills on the job must also have taken place, particularly in the light of the training programmes described in Chapter XIV.

287. *Unemployment.* The pace of new job creation could not keep up with the strong spurt in labour supply during the First Malaysia Plan period. As a result, unemployment rose from about 180,000 or 6.5% of the labour force at the start of the period, to about 250,000 or about 8% at its close in 1970.

288. Unemployment in West Malaysia is largely a youth phenomenon. Over 64% of the total unemployed were in the 15-25 age group in 1962; by 1967, this had risen sharply to exceed 75%. Unemployment is also concentrated among new entrants to the labour force. A full 65% of the unemployed in 1967 were first-time job seekers, up from 47% in 1962. Unemployment rates for those above 25 years of age have remained low. This is not to say, however, that unemployment in West Malaysia is merely a characteristic of the young school-leavers which will be resolved automatically as they grow older. The rapid growth of labour force has led to higher unemployment rates among young persons, and unless job expansion proceeds apace these high rates will spread to the higher age groups.

289. In locational terms, serious unemployment occurs in the urban areas, where the rate is around 10%. Here again, youth unemployment rates are much higher.

290. In addition to the overt and measured unemployment discussed above, there remain large numbers of workers in low-productivity jobs, who are underemployed in the sense of both low intensity of work as well as earning low incomes. In 1967, about 11% of the workers classified as "employed" were reported to be working less than 25 hours per week. These persons were predominantly in rural occupations such as fishing and single-cropped padi cultivation and in the service sector. Though the expansion of acreages under double-cropped padi, large scale land development and other agricultural investments during the Plan period are likely to have alleviated some of this underemployment, the growth in the labour surplus must have limited the opportunities for significant numbers to move into more productive employment. Besides the underemployed, there remain those not classified within the labour force because they are not actively seeking a job

but would accept one if offered. Some portion of the 63,000 persons so identified in 1967 would be likely to move into the active job market if labour demand grew briskly.

291. The dramatic expansion of education since Independence has also had its impact on the educational profile of the unemployed. Despite the rapid growth in employment of those with more education, unemployment of persons with ten years or more of education nearly tripled in 1962-67. Among those with no formal education, however, unemployment fell by more than half; it increased by less than a third for those with only primary education.

292. Further analysis of the unemployed in 1967 indicates that the job preferences and expectations of many young job seekers appear to be at serious variance with the pattern of labour demand. For instance, proportionately many more job seekers were looking for clerical and other white-collar jobs than there were available, while fewer sought agricultural and other manual jobs. Many school-leavers are having to accept occupations which they did not at first seek or think appropriate to their education or inclination, to escape prolonged unemployment. The implications of these features for further investments in some levels of education, for the aims and curricula of these educational levels and for vocational counselling services are discussed in Chapter XIV.

2. EAST MALAYSIA

293. Manpower information relating to the East Malaysian States is scanty. From available information, it is estimated that labour force growth in Sabah and Sarawak was high, about 3.7% per year during the First Malaysia Plan period (*see* Table 7-2). As in West Malaysia, this was largely the result of the surge in population in the decade after the War. In the case of Sabah, the local labour force was supplemented by transfers of workers from West Malaysia and inflows from neighbouring Indonesia and the Philippines.

294. Employment growth in both States was also rapid but in the case of Sarawak below the rate of labour force growth. Sabah, on the other hand, continued to experience critical shortages of many types of labour, including workers for its rubber and timber industries. Both States can be said to have a reasonably tight employment market, but Sarawak was already

experiencing signs of worsening unemployment, particularly among white-collar job seekers. Overall, unemployment in East Malaysia probably did not exceed 4% of labour force in 1970.

III.—MANPOWER OBJECTIVES OF THE SECOND MALAYSIA PLAN

295. The Second Malaysia Plan starts with an unemployment backlog of about 275,000 persons. In addition, job opportunities will have to be created for about 645,000 net additions to the labour force over the five-year period. The underemployment situation, particularly in agriculture and services, adds to the size of the problem facing the economy. The paragraphs that follow describe the steps that will be taken and the extent to which the problem will be resolved during the period.

296. The employment objective of the Plan is to expand job opportunities at as rapid a rate as possible, as well as to provide more productive employment to those now engaged in low-income activities. Given the investment targets of the Plan and the additional employment-oriented measures proposed, it is envisaged that at least 596,000 new jobs will be created during the Second Malaysia Plan period. This target represents a considerable increase over the 445,000 new jobs actually created during the First Malaysia Plan period. This means the creation of more than 119,000 new jobs per year during 1971-75, or an average of 30,000 more jobs per year than under the previous Plan. Measures are also to be taken to increase availability of skilled workers now in short supply, to improve the productivity of the work force and to enable the entry of larger proportions of Malays and other indigenous people into remunerative modern sector employment.

297. Table 7-2 sets out the projections of labour force, employment and unemployment for the Plan period. As indicated, the growth in labour force in West Malaysia during the next five years is expected to be even faster than the rapid growth experienced in the previous five years. In Sabah and Sarawak, however, the phenomenal growth rates of the labour force of the last few years are expected to decline somewhat. For West Malaysia, even though the economy is expected to grow briskly and new job opportunities will also grow at an unprecedented rate of 3.2% per year, it is expected that employment growth will not be able to keep pace with the increase in labour force. Similar problems are likely to be faced in Sarawak as well. The projected rate of employment increase for the whole of Malaysia will, however, keep pace with the rate of labour force growth, so that overall the unemployment rate will be held at no more than its 1970 level of 7.3% of the Malaysian labour force.

TABLE 7-2

LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT, 1965-75

(000)

	1965	1970 (estimated)	Increase 1966-70	Average annual growth rate (%)	1975 (target)	Increase 1971-75	Average annual growth rate (%)
MALAYSIA							
Labour force	3,246	3,768	522	3.0	4,413	645	3.2
Employment	3,048	3,493	445	2.8	4,089	596	3.2
Unemployment	198	275	77	6.8	324	49	3.3
Unemployment as % of labour force	6.1	7.3	—	—	7.3	—	—
WEST MALAYSIA							
Labour force	2,730	3,150	420	2.9	3,690	540	3.2
Employment	2,550	2,900	350	2.6	3,395	495	3.2
Unemployment	180	250	70	6.8	295	45	3.3
Unemployment as % of labour force	6.5	8.0	—	—	8.0	—	—
EAST MALAYSIA							
Labour force	516	618	102	3.7	723	105	3.2
Employment	498	593	95	3.5	694	101	3.2
Unemployment	18	25	7	6.8	29	4	3.0
Unemployment as % of labour force	3.5	4.0	—	—	4.0	—	—

IV.—THE EMPLOYMENT STRATEGY

1. EXPANDED ECONOMIC GROWTH

298. The first component of the employment strategy of the Plan is the promotion of rapid economic growth. This growth will be brought about by the expansion of the public sector and the adoption of policies to further the growth of the private sector. It is envisaged that overall growth of the economy at 6.5% per year, supplemented by appropriate fiscal and other policies relating to employment, will result in an average growth of employment of at least 3.2% per year during the period.

299. Policy measures will be so designed as to encourage greater growth in the *modern industrial sector* of the economy. The experience of the recent past shows that this sector has relatively favourable rates of labour absorption. Accelerated growth of this sector, besides contributing to employment growth, also provides opportunities for higher income jobs, which will have a salutory impact on the absorption of Malays and other indigenous people and of the increasingly well educated new entrants to the labour force. Special emphasis will be given, through technical services and fiscal incentives, to rapid expansion of small-scale industries and exports of manufactured and semi-manufactured goods. Attention will also be paid to increasing employment opportunities in the *construction industry* and in *services,* particularly tourist services, as they have significant employment potentials.

2. LAND DEVELOPMENT

300. The opening up of new areas for land settlement forms an important part of the Plan's strategy to eradicate poverty, by enhancing rural incomes and expanding job creation in agriculture. The details of the programme are described in Chapter IX and only its employment impact is reviewed here. The emphasis on new land development is especially important in order to take advantage of the abundant land resources to create more jobs. Employment opportunities in the newly opened land areas are seen as crucial steps in diversifying rural jobs and making them both attractive and remunerative. However, some portion of the employment demand created in land development is likely to lead to fuller employment of presently underemployed farm labour, also a desirable objective, rather than to new employment.

3. INCREASED USE OF LABOUR

301. A number of steps have recently been taken, such as the abolition of the payroll tax and control of excessive hours of overtime work, to encourage expansion in employment. The package of incentives now offered to investors and the influence of fiscal measures on relative factor prices are under review so as to align them more favourably to the use of labour. The techniques employed in large-scale public projects, such as road construction and housing, are also being studied with a view to increasing the use of labour in these projects. In the construction of the East-West Highway, significant portions of the work are already being undertaken with labour intensive techniques. The measures to ensure relatively higher labour intensity will be designed in a manner consistent with efficient production and continued growth in productivity.

4. EDUCATION AND TRAINING PROGRAMMES

302. The steps to be taken by the Government to expand industrial and vocational training and upgrade educational programmes are discussed more fully in Chapter XIV.

303. The improvements made in the education and skill levels of the labour force during the First Malaysia Plan period will be further accelerated. Table 7-3 shows the expected educational profile of new entrants into the labour force in West Malaysia.

TABLE 7-3

EDUCATIONAL PROFILE OF NEW ENTRANTS INTO THE LABOUR FORCE, WEST MALAYSIA, 1971-75

Level of Education	*Years of Education*	*Male*	*Female* (*000*)	*Total*	%
Higher education*	11+	30	15	45	6
Upper secondary	10-11	152	74	226	31
Lower secondary	7-9	174	59	233	32
Primary	1-6	145	73	218	30
No education	0	3	3	6	1
	Total ..	504	224	728†	100

304. As the table shows, nearly 70% of the new entrants into the labour force will have some form of post-primary education. The number with lower secondary schooling will increase the fastest, at 12% per year, and

* Includes post secondary, college and university education.

† New entrants into the labour force are projected at 728,000; the estimated net increase in the labour force, allowing for departures through death, retirement and other causes, is 540,000.

constitute 15% of the labour force in 1975. Both vocational training and on-the-job training, to be emphasised in the Plan, will further enhance the quality of the labour force and improve its productivity and versatility. Malaysian workers can thus be expected to be attractive production factors for potential investors in the country.

305. Special efforts will be made to train, locally and abroad, the high-level and skilled manpower required to service both public and private sector needs, as the realisation of the Plan targets as a whole, and employment targets as well, depends on the availability of such persons. It is anticipated that the critical areas will be in agricultural research and extension programmes, engineering and related skills, trained teachers, health workers and managerial personnel.

306. Table 7-4 summarises estimated trained *agricultural manpower* requirements in West Malaysia and matches them against likely supply of such personnel through local training programmes.

TABLE 7-4

ESTIMATED DEMAND* AND SUPPLY OF TRAINED AGRICULTURAL MANPOWER, WEST MALAYSIA, 1971-75

Level	Demand	Supply	Deficit
Professional	620	580	40
Sub-professional	1,750	1,120	630
Operatives	2,020	1,970	50

307. While, with the outputs from the Schools of Agriculture and special training programmes for field assistants for land development, the requirements at the operative level are likely to be met during the period, even the further expansion of the Agricultural College at Serdang is not likely to provide the full requirements for sub-professional personnel. Special programmes will be introduced to train sub-professional manpower for forestry development, veterinary science and livestock development. The resources of the Agricultural College, the MARA Institute of Technology and the Departments concerned will be harnessed to develop these programmes. Except for research positions, for which post-graduate training is generally required, the demand for professional personnel will be met. A part of the shortages can be met from foreign sources under technical assistance programmes, but, to the extent that some shortages persist, the activities of MARDI and other institutions are likely to remain limited.

* Includes vacancies outstanding at end of 1970.

308. The capacity of institutions in Malaysia to train *engineering and technical personnel* was expanded under the First Malaysia Plan. Enrolment and output of engineers from the Faculty of Engineering at the University of Malaya, Diploma holders from the Technical College and technicians from the Ungku Omar Polytechnic will be further expanded under the Second Malaysia Plan. Significant numbers of graduates in these fields are also expected to be trained overseas. A survey is being undertaken to assess the detailed nature of the national requirements for the various categories and levels of such manpower. When the results of the survey become available, the training programme for such personnel will be reviewed and action taken to ensure their availability. It is expected that a sizable foreign recruitment effort will be made during the period.

309. One of the most critical areas of manpower demand is expected to be that for *graduate level teachers* for upper and post-secondary schools. While during the Second Malaysia Plan period both the Universiti Kebangsaan and the University at Penang will supplement the University of Malaya's trained graduate teacher output, the supply of such teachers, particularly for science education, is likely to be short of requirements (*see* Table 7-5). Outputs from the secondary school teacher training colleges will, to some extent, enable such a deficit to be temporarily met. A significant overseas training and recruitment programme will also be undertaken so that educational expansion planned for the period proceeds satisfactorily.

TABLE 7-5

ESTIMATED DEMAND AND SUPPLY OF TRAINED TEACHERS FOR SECONDARY SCHOOLS, WEST MALAYSIA, 1971-75

	College Trained	*Graduate Teachers*		
		Arts	*Science*	*Total*
Total available, 1970 ..	15,238	1,468	700	2,168
Total required, 1970 ..	11,123	3,088	2,679	5,767
Excess (+)/Shortage (−) 1970	+4,115	−1,620	−1,979	−3,599
Output 1971-75	987	2,550	2,266	4,816
Losses 1971-75	696	54	70	124
Total available 1971-75 ..	4,406	876	217	1,093
New demand 1971-75 ..	3,311	1,070	2,025	3,095
Excess (+)/Shortage (−) 1975	+1,095	−194	−1,808	−2,002

310. The strong demand for *skilled blue-collar workers* is expected to continue during the Plan period, particularly in view of the emphasis given to industrial growth in the Plan. The demand for such workers is estimated to increase by about 7,000 per year by 1975. The strategy to meet such needs will have three elements. Firstly, the education system will be increasingly oriented towards science and technology and to providing some pre-vocational skills. Secondly, an expanded training effort will be undertaken by the Ministry of Labour and Manpower and MARA's Vocational Training Schools. Finally, an extensive in-service training programme, organised within industrial establishments themselves, will also be launched in consultation with the newly established National Advisory Council on Industrial Training. Further details on these programmes are given in Chapter XIV.

5. LABOUR MOBILITY AND PLACEMENT SERVICES

311. While West Malaysia faces a problem of labour surplus, Sabah continues to experience a tight labour market, with shortages of skilled and general labour, particularly in its rubber and timber industries. The organised transfer of workers from West Malaysia to Sabah, under the auspices of the Malaysian Migration Fund Board, forms an important part of the employment strategy in the Plan. The Board, since its inception in 1966, has arranged for the transfer of 5,000 workers, plus their dependents, mostly to meet the Sabah plantation industry's requirements. During 1971-75, the Board expects to place some 8,000 workers in Sabah, meeting the requirements of other sectors as well.

312. Within West Malaysia itself, availability of land and other resources is likely to lead to accelerated growth of some regions. It is clear that in some of these cases, shortages of certain types of labour are likely to occur. One of the specific objectives of such regional development is to ensure that surplus labour from the regions with land shortage is moved efficiently and expeditiously to meet such needs.

313. Matching of supply and demand for workers in the many organised places of employment throughout the country is the role of the employment offices of the Ministry of Labour and Manpower. The functions of these offices have already been streamlined and operating methods and trained staff developed to provide an efficient network of placement services. The preparation and publication of job information by these offices and their contacts with new as well as established enterprises and training institutions, will facilitate labour mobility as well as provide up-to-date information on areas of worker shortage.

6. SPECIAL YOUTH EMPLOYMENT PROGRAMMES

314. Unemployment in West Malaysia is largely a youth problem. The fact that it is highly concentrated among new entrants into the labour market demonstrates the tremendous strain being placed on the economy in generating sufficient employment opportunities to absorb the rising numbers of job seekers. In such a situation, this mass of young jobless persons represents a waste of a valuable national resource and is a potential socially disruptive force. In the Plan period a number of innovative programmes to employ these youths will be undertaken. There is considerable scope for the employment of such youths, with a disciplined organisation and a minimum of resources, in various activities connected with land clearance and maintenance, construction of roads and other infrastructure, irrigation and conservation works and a host of other areas. The possibilities in these avenues are being explored, as is the availability of food-aid under international arrangements to be applied to such programmes.

V.—THE EMPLOYMENT TARGETS

315. Table 7-6 shows the projected employment growth for West Malaysia by sectors.

316. The most striking feature of the projected pattern of employment growth over the next five years is the fact that the agriculture sector, which accounted for over 49% of total employment in 1970, is projected to provide only 125,000 jobs or 25.3% of new employment during the period. This is despite the fact that output in this sector is expected to grow at a rapid rate of over 8% per year. The low marginal contribution of this sector to new job creation in the recent past has already been noted. The bulk of the increase in output in the sector is expected to come from the perennial export crop group in which production increases are now possible with little additional labour. Employment in the cultivation of these export crops is expected to grow at about 1% annually, largely due to increase in acreages. Net employment creation in the rest of agriculture, forestry and fishing is difficult to estimate. In such cases as fishing, rubber replanting and padi farming, much of the development forseen is likely to reduce underemployment rather than create new jobs. In terms of new jobs in the agriculture sector, it is likely that land settlement and other new land development will offer the bulk of the opportunities, with the rest of the sector contributing perhaps not much more than 30% of the total.

TABLE 7-6

ESTIMATED EMPLOYMENT GROWTH, WEST MALAYSIA, 1971-75*

Sector	1970 (estimated) (000)	1970 (estimated) Share of total (%)	1975 (target) (000)	1975 (target) Share of total (%)	Increase 1971-75 (000)	Average annual growth rate (%)	Share of new jobs (%)
Agriculture	*1,454*	*49.5*	*1,579*	*46.0*	*125*	*1.7*	*25.3*
Industry	*456*	*15.5*	*594*	*17.3*	*138*	*5.4*	*27.9*
Mining	64	2.2	60	1.7	−4	−1.3	−0.8
Manufacturing	270	9.2	378	11.0	108	7.0	21.8
Construction	103	3.5	133	3.9	30	5.2	6.1
Utilities	19	0.6	23	0.7	4	3.9	0.8
Services	*1,030*	*35.0*	*1,262*	*36.7*	*232*	*4.1*	*46.9*
Commerce	340	11.6	419	12.2	79	4.3	16.0
Transport, storage and communication	110	3.7	122	3.6	12	2.1	2.4
Other services	580	19.7	721	21.0	141	4.4	28.5
Total	2,940	100.0	3,435	100.0	495	3.2	100.0

* Data on employment include employed persons under 15 years of age and those over 65 years of age.

317. New employment outside of agriculture will contribute about three-quarters of the total employment growth during the period. The largest employment increases are expected to be in the services sector in which more than 230,000 job opportunities are likely to be forthcoming. The industrial sector is projected to employ at least 138,000 more workers by 1975, with manufacturing activities alone contributing 108,000. Job expansion in both these sectors in the past has proceeded at favourable rates and this is expected to improve further during the coming years.

318. It should be borne in mind that the above estimates of new employment creation during the Plan period are based on the minimum investment targets specified in earlier Chapters. Attention is being given to overcoming some of the constraints which hold back a larger investment programme.

VI—THE LONGER TERM PROSPECTS

319. The employment objective must be viewed in the perspective of a longer period than five years. The current period is one of phenomenal rates of increase in labour force and, in such a situation, the avoidance of a labour surplus is a difficult task even for an economy more developed than Malaysia's. However, the abundant resource endowments of the country and the strong growth of the economy, coupled with significant structural changes being made, do indicate that a full employment situation at a high-level of average income can be achieved in Malaysia during the next decade.

320. Education and training programmes will be aligned more closely with the expected pattern of labour demand. While increased educational outputs are clearly enhancing the capability and quality of the labour force, over-expansion of higher levels of education can quite clearly pose problems of educated unemployment of serious proportions. The objectives of the New Economic Policy, however, require that these segments of the education and training systems be reviewed to enable the entry in greater numbers of presently disadvantaged groups into highly productive modern sector employment. The education system and vocational training programmes require close co-ordination to avoid waste of scarce teacher and financial resources and to meet the requirements of public and private sector enterprises more effectively.

321. The double task of keeping up with a rapidly increasing labour force and reducing the large backlog of unemployment places a heavy burden on the economy. The present high rates of labour force growth are expected to continue into the latter years of this decade. The impact of the family planning programme, launched in the First Malaysia Plan period, will begin to be felt on the labour force only in the next decade. The achievement and maintenance of a full employment economy at a high level of well-being for the population will require continued emphasis and extension of the family planning programme.

322. The tremendous improvements in the rural economy and the rapid growth of the urban sectors, together with some slowing down of the pace of labour force increase in the longer run, will steer the economy to a reasonably full employment level. With a tight labour market thus developing, and with the increased education and training programmes, coupled with new measures of social security and other benefits, substantially greater improvements can be expected in the standards of living of Malaysian workers, both the wage earners in urban sectors and those engaged in modernised agriculture. However, in the interim, it is an essential requirement of the strategy towards achievement of a full employment economy that the attitude, productivity and cost of Malaysian labour be such that they encourage entrepreneurs, both local and foreign, to invest here. It is largely through such investment that the necessary increases in labour demand will be generated.

CHAPTER VIII

Administrative Machinery for Planning and Implementation

I—INTRODUCTION

323. The development tasks to achieve the objectives of the New Economic Policy outlined in the Second Malaysia Plan require significant, bold and effective measures for improving the administrative machinery for planning and implementation. Such measures are essential for several reasons. The Plan's targets are more ambitious than in previous Plans. To achieve them will require a larger investment programme than ever before. This in itself implies an increase in implementation problems. Moreover, many elements of the programme are new in scope and intent and more difficult in their conception and implementation. Many of these elements are aimed at producing quick and visible results in terms of increased participation by Malays and other indigenous people in modern sector activities.

324. The experience of the First Malaysia Plan demonstrates that among the factors that constrain the implementation machinery of the Government is the shortage of technical and managerial capacity and capability. The review of the previous Plan also shows that working procedures within Government Departments, including financial management and accounting, and co-ordination among Departments and between Federal and State Governments will have to be improved so that a larger development programme can be implemented. These constraints must be overcome early in the Second Malaysia Plan period to ensure that the achievement of the major goals of the Plan is not jeopardised. The Government is fully conscious of the need to improve and expand implementation capacity. It has established special committees, under the aegis of the National Economic Council (NEC), to review past experience in this regard more fully and to formulate measures to speed up implementation.

325. Implementation is not merely a matter of carrying out the projects listed in the Plan. Planning does not cease with the publication of the Plan document. On the contrary, the Government's machinery for planning at every level must function continuously if general plans, policies and targets are to be translated into specific programmes and projects.

II.—ORGANISATION FOR PLANNING

1. FEDERAL LEVEL

326. The search for effective means of fostering national unity through eradication of poverty and restructuring of society to correct economic imbalance has permeated every branch of the Government. There have been complete reviews of past policies and programmes in all major areas of activity. The broad guidelines for formulation of the Second Malaysia Plan were provided in a Directive issued by the then Director of Operations and amplified in several other working papers. As a result, the sense of participation in planning directed towards common objectives has been felt throughout the Government.

327. The emphasis on the problems of poverty and racial economic disparity brought about changes in the planning process. The new Department of National Unity (DNU), in conjunction with other central planning agencies, played a major role in defining the goals of economic and social development. In addition, the deliberations of the National Consultative Council and its Economic Committee helped evolve a national consensus on the various steps necessary to ensure national unity. The DNU will continue to conduct research into various aspects of race relations and evaluate measures to reduce economic disparity.

328. The staff work on national development planning and implementation continues to be the responsibility of the Economic Planning Unit (EPU). In this role it provides the staff work to the National Economic Council which is a Ministerial body under the Chairmanship of the Prime Minister. The EPU in addition serves as the secretariat to the National Development Planning Committee (NDPC), consisting of senior public officials responsible for the formulation of the Plan, its periodic review and its implementation. The Estimates Sub-Committee of the NDPC is responsible for detailed appraisal and examination of the Development Estimates. These Estimates provide the annual phasing of the public sector component of the Plan development expenditure. The Standards and Costs Sub-Committee of the NDPC is responsible for formulating and providing guidelines for project designs and standards to ensure that maximum

economies are achieved. Both these Sub-Committees are also serviced by the EPU.

329. Administrative planning in relation to development is primarily the function of the Development Administration Unit (DAU) and the National Committee for Development Administration, for which the DAU provides the secretariat. The Government recognises the importance of effective administration, including staff training, career development and innovations in personnel and financial management, for the achievement of the Plan's objectives. In order to promote this, the DAU has recently been reorganised into divisions with responsibilities for providing advice and guidelines for administrative improvements in the major sectors of the economy. A Training and Career Development Division has also been established in the Public Services Department (PSD).

330. To complement the work of the central planning agencies, steps have been taken to establish planning and research units in the major Ministries and Departments. There are at present such units in the Treasury, Bank Negara and the Public Works Department (PWD), as well as in the Ministries of Agriculture and Lands, Education, Health and Transport. However, these central planning agencies and the planning units in Ministries remain inadequately staffed, in terms of numbers and the relevant experience of the personnel. This situation can only be remedied through intensified training of Government officers in the disciplines relevant to planning work.

331. Timely, comprehensive and reliable statistics relating to various aspects of the economy are essential for the formulation and evaluation of development programmes. The Government has, therefore, continued to build up the capacity of the Department of Statistics. A UNDP/SF project is now underway in the Department, providing both high-level advisory services as well as training to the professional officers of the Department. The data processing capacity of the Department has also been considerably improved and the analysis of data speeded up through the investment of nearly $3 million in automatic data processing equipment for the Department. Basic statistical series in national accounts and balance of payments data, as well as data relating to the major sectors of the economy, have also been improved. The data in respect of population and manpower will be upgraded through the analysis of the information gathered during the Population Census in 1970. A Census of Agriculture, to gather information on a wide range of activities pertaining to the agricultural sector, is expected to be undertaken sometime during the Plan period.

332. Ultimately, however, the achievement of the objectives and targets of the Plan requires leadership in the Ministries and Departments which is committed to imaginative and energetic action.

2. STATE LEVEL

333. The success of the Plan depends heavily on the activities of State Governments. Many of the important natural resources, notably land, forests and minerals, are within their jurisdiction. The Plan requires a larger and more dynamic role by State Governments in the achievement of national objectives. It is therefore essential that there be full co-operation at every stage between the State and Federal Governments. To discharge their widened responsibilities effectively, State Governments will require a corps of better trained planners and administrators, with a greater awareness of national objectives and an ability to harness the full potential of the States' resources for the implementation of the Plan.

334. The First Malaysia Plan witnessed the establishment of State Economic Development Corporations (SEDC's) which sponsor a variety of activities ranging from industrial and commercial ventures to housing and agricultural projects. Their activities are important, especially in the modernisation of rural areas and in the promotion of increased participation in commerce and industry by Malays and other indigenous people. The more established SEDC's are found in Selangor and Perak, while the majority still require assistance in building up their capability, particularly for the preparation and evaluation of projects for investment decisions.

335. The Federal Government is taking steps to help State Governments in their efforts to establish State economic planning units and to improve their planning capacity. In addition, a Federal Committee has been established to co-ordinate the activities of SEDC's and assist them in four main areas:

(i) the provision of financial assistance on reasonable terms;

(ii) the provision of expertise in market assessment and project identification, preparation and evaluation;

(iii) the organisation of training programmes for State officials; and

(iv) the co-ordination of requests for foreign technical and material assistance.

336. Planning assistance to the States has also been provided through the several regional development studies which have been carried out. Regional

plans for the States of Trengganu and Penang have already been drawn up, while regional masterplanning studies for large areas in Johore, Pahang and Sarawak are underway. Planning studies for several other areas are to be conducted under the Second Malaysia Plan. The comprehensive studies so far have been undertaken by foreign consultants, but several local officers have been closely associated with them in their work. A fund of knowledge and experience has thus been created, which can be drawn upon in future planning efforts.

III.—CAPACITY FOR PLAN IMPLEMENTATION

337. The experience of the First Malaysia Plan clearly shows that one of the major sources of strain on the implementation capacity in the public sector is shortages of technical and managerial staff. These shortages are the result of several factors, the most important of which is the difficulty of recruiting and retaining in the Government services qualified and experienced staff. There are also shortages of capable administrators and other categories of workers, who are in great demand as a result of expanding programmes of industrialisation and agricultural development.

338. To carry out successfully a public sector programme considerably larger than in any Plan before, it is essential that immediate solutions be found for the various shortages of manpower. As indicated previously, the Second Malaysia Plan gives emphasis to the implementation and management of projects which are new to the public sector and, in some cases, still require detailed blueprints for implementation. Among these are projects designed to create a Malay commercial and industrial community, housing and urban renewal projects and the establishment of rural industries and other enterprises involving direct participation by the Government. These projects create additional demands on the already limited supply of economists, managers and technicians in the public service.

339. Many different elements of the public sector development programme may be impeded by serious manpower shortages. One of the most immediate concerns is the capacity of the PWD, which acts as the main construction arm of the Government. The PWD designs and constructs or supervises construction of roads, schools, hospitals and other public facilities. Shortfalls in its performance, therefore, give rise to shortfalls in many other programmes.

340. In the long run the fundamental solution to the problem of manpower shortages in the public sector lies in expanding the nation's pool of trained

manpower. This pool will be enlarged by the expansion of facilities for technical training within the country and the sponsorship of more training awards in the technical and professional categories, locally and abroad. To ensure that the public sector obtains its share of the nation's trained manpower pool, it is necessary to make the public service a more rewarding experience for those with managerial and technical skills who choose to make public service their career. Steps are being taken in this direction.

341. Achieving the goals of the Second Malaysia Plan, however, will require that these long-run actions be supplemented by short-term measures. These measures are designed to increase the supply of skilled manpower in the public sector until the national pool of such skills is substantially expanded. First, public service recruitment procedures have been streamlined to permit early recruitment and placement of available local personnel to fill some of the existing vacancies. Second, greater use will be made of existing private sector capacity for the design and supervision of several projects previously undertaken by the PWD. Finally, recruitment of qualified and experienced personnel from overseas sources on contract and through technical assistance programmes will be undertaken.

342. Another problem in the implementation of the Plan arises from the procedures relating to the control of expenditure, commitment of funds, approval of projects and detailed plans and tendering. In a number of cases, these procedures have inhibited quick commitment and implementation of projects. Action is now being taken to revise these procedures and issue new instructions delegating more authority to Ministries and Departments. One of the steps already taken is the authorisation given to Ministries and Departments to forward commit expenditure on projects to speed up implementation.

343. An equally important aspect of Plan implementation is the efficiency of organisation and working procedures in Ministries and Departments. The need for streamlining organisations and operating methods to ensure speedy decisions, effective implementation and regular supervision cannot be over-emphasised. The DAU has primary responsibility to assist Ministries and Departments to make systems improvements and to gear themselves more effectively to the task of implementating the Plan. A number of organisations have already been studied by the DAU and its recommendations are being put into effect. Studies will also be made of other key organisations to ensure that their leadership and effectiveness are adequate to produce the required results.

344. The machinery for implementing the Second Malaysia Plan has been further strengthened by the setting up of an Implementation Division in the EPU and the establishment of the General Planning Unit (GPU), in addition to the reorganisation of the DAU. The primary responsibility for monitoring Plan projects lies with the Implementation Division of the EPU, while the GPU and the DAU will be more directly concerned with continuous review of Government administrative machinery and the breaking of specific implementation bottlenecks as they appear.

IV.—THE PRIVATE SECTOR, THE PEOPLE AND DEVELOPMENT

345. The achievement of the objectives and targets of the Plan will require the closest co-operation among the Government, the private sector and the people. The Plan cannot be effective without an understanding of its objectives and targets among all concerned and considerable effort by everyone.

346. To obtain this understanding and co-operation, interaction between the Government and the public is essential. An important channel for communication between these two groups is the mass media: radio, television, newspapers, magazines, films and information services. The achievement of the goal of national unity through eradicating poverty and restructuring society to correct economic imbalance requires public understanding and support, which will be enlisted through the media of mass communication. The mass media convey proposals for development as well as reaction to Government policies from the public to the Government. Action is being taken to improve the effectiveness of the Ministry of Information in this regard and to obtain the full co-operation of private news media as well.

347. For its part, the Government will remain alert and responsive to constructive suggestions from any quarter. There are many channels through which such suggestions can flow. Besides the mass media, other channels which offer opportunities for suggestion are parliamentary debate and the internal workings of political parties and voluntary associations such as worker, farmer, employer and consumer groups. In some cases, the Government has established formal consultative machinery, as in the case of the Private Sector Advisory Panel to the Capital Investment Committee. Whether there is formal provision for consultation or not, however, the Government is not only receptive to but actively invites positive suggestions from the public.

348. A number of changes are envisaged to improve the flow of development information within the public sector. One of the major actions

is the reactivation of the monthly briefings by Secretary-Generals of Ministries and Heads of Departments, conducted in the presence of the Prime Minister, other Ministers and members of the NDPC. The data and information systems housed in the National Operations Room, where these briefings are normally held, will be significantly improved. Plans are underway for the construction of a new building which will house a larger National Operations Room and a Display Centre where the progress of major projects is to be depicted and to which the public will have ready access. The briefing and operations room system at State and District levels will also be improved.

349. Changes have also been introduced in the procedures for review of the operating expenses and development budgets of Ministries and Departments. Beginning in 1970, the reviews are conducted jointly by the Treasury, the EPU, the DAU, the PSD and the DNU. Such joint exercises are intended to ensure closer co-ordination in the allocation of funds between operating and development expenditures, to harmonise financial and staffing provisions for operating departments and to ensure relevance of the programmes to the national development objectives.

350. These budget review procedures are an aspect of the system of programming and performance budgetting which has been progressively introduced over the past three years. At the same time the accounting system of the Government is being revised and reformed for the purpose of providing more comprehensive, timely and accurate information so that top management will be better informed of all key operations under its control. This reform will have a positive effect in modernising financial management in the Government as a whole. In order to fully implement this system, a larger corps of accounting officers is being recruited, supplemented by external assistance as necessary.

351. The public service is undergoing rapid changes in response to various demands to provide sound options for decision-making and produce results. This creates a need to improve the career development and training of public service officials in the general and specialised functions of Government, which has been made a special assignment of the newly created Career Development and Training Division of the PSD. The Government Staff Training Centre, which has conducted in-service training programmes, is to be expanded into a National Institute for Development Administration. This Institute will provide increasingly professional training in public administration as well as undertake research into administrative problems of development.

CHAPTER IX

Agriculture, Forestry and Fishing

I.—INTRODUCTION

352. The agricultural sector occupies a dominant position in the Malaysian economy. It generates one-third of the GDP, provides employment for nearly one-half of the working population and accounts for about 50% of the country's foreign exchange earnings. Agricultural development has been substantial in recent years with rapid increases in rubber production, expansion of oil palm acreage and double-cropping of rice, marked increases in fish landing and a high rate of forestry development and exploitation. The modernisation of agriculture will be accelerated under the Plan to contribute to the objectives of eradicating rural poverty by raising income levels and generating greater employment opportunities and restructuring society to correct economic imbalance. In addition, the modernisation of agriculture will create new opportunities for the development of agro-based industries. The existence of abundant land, forestry and other resources makes possible further rapid overall development in agriculture under the Second Malaysia Plan leading to a widening and strengthening of the agricultural base with higher farm incomes and productivity.

II.—REVIEW OF PROGRESS, 1966-70

353. Agricultural output (including forestry and fishing) grew at an average annual rate of 8% over the First Malaysia Plan period, as compared to the Plan target of 5.5%. The major export commodities—rubber, timber and palm oil and kernels—grew rapidly. Output of important items for domestic consumption—fish, livestock, poultry and padi—also increased at a rapid rate. Production of fresh fruit and copra grew less rapidly, and that of a few minor crops actually declined (*see* Table 9-1).

354. Institutional build-up in agriculture, including extension, credit, marketing and research, was satisfactory, but shortage of trained manpower hampered their full development. Despite rapid development in the agricultural sector, job creation in West Malaysia was 61,000 below the Plan target.

TABLE 9-1

GROWTH OF AGRICULTURAL OUTPUT, 1965-75

(1970 = 100)

Commodity	Weights (based on 1966-70 average value)	1965	1966	1967	1968	1969	1970	1975 (projected)	Average annual growth rate (%) 1966-70	1971-75
Rubber	.3493	71.6	75.9	77.3	85.9	99.0	100	151.0	6.9	8.6
Palm oil and kernels	.0536	34.0	42.9	50.8	63.5	80.0	100	256.1	24.1	20.7
Coconuts	.0286	85.3	96.9	92.1	95.9	96.1	100	112.1	3.2	2.3
Padi	.0786	74.6	73.5	71.4	85.5	95.3	100	140.7	6.0	7.1
Pineapples	.0039	94.9	94.9	102.5	105.7	112.6	100	139.9	1.2	6.9
Tea	.0036	100.6	103.4	92.5	104.0	104.7	100	105.4	−0.1	1.1
Sago and tapioca	.0040	100.0	88.0	101.1	97.1	93.7	100	124.6	0.0	4.5
Pepper	.0096	80.3	60.0	87.8	103.4	96.9	100	115.6	4.5	2.9
Cocoa and coffee	.0010	36.8	52.6	59.6	73.6	73.6	100	175.4	22.1	11.9
Fresh fruit[1]	.0164	88.3	91.4	95.8	98.2	99.7	100	111.4	2.5	2.2
Food crops[2]	.0153	92.7	80.3	86.9	86.1	84.0	100	120.9	1.5	3.9
Tobacco	.0004	111.1	106.2	106.2	93.7	100.0	100	111.1	−2.1	2.1
Spices and other crops[3]	.0066	127.6	135.4	119.3	124.4	103.2	100	110.5	−4.8	2.0
Fish	.1133	67.4	79.5	95.7	105.0	93.5	100	168.5	8.2	11.0
Timber (round)	.2118	55.1	70.1	76.9	86.3	92.6	100	124.7	12.7	4.5
Livestock[4]	.1041	77.0	81.6	84.6	91.1	96.5	100	150.4	5.4	8.5
Aggregate production index	1.0000	68.1	75.1	79.7	88.5	95.2	100	149.0	8.0	8.3

[1] Includes bananas, durian, rambutan, mangosteen, mandarin orange, other citrus fruits, duku, langsat, cashew nuts, mango, rambai and chempedak.

[2] Includes sugar cane, sweet potato, groundnuts, maize, vegetables, sugar palm, colocasia, yam, water melon, soya bean, pulses, ragi, rock melon and ubi kemili.

[3] Includes arecanut, betel leaves, chillies, ginger, tumeric, nutmeg, cloves, nipah, gutta percha, gambier, kapok and derris.

[4] Includes beef from buffalo and oxen, mutton, pork and poultry meat.

1. COMMODITY HIGHLIGHTS

355. *Rubber.* With rapidly increasing output from the acreages replanted and newplanted in the late 1950's and early 1960's, rubber production rose from 903,000 tons in 1965 to more than 1.2 million tons in 1970. In West Malaysia smallholder output rose by 11% annually, and by 1970 accounted for 48.6% of total output.

356. Acreage on estates (i.e., holdings of 100 acres and above) declined from 1,859,000 acres in 1965 to 1,575,000 acres in 1970 due to conversion of land to oil palm and other crops and through subdivision into smallholdings. Increases in smallholder acreage were more than offset by the decline in estate acreage. In 1970, 4.8 million acres were under rubber in Malaysia compared to 4.9 million acres in 1965.

357. *Palm oil and kernels.* With price uncertainties for natural rubber and relatively attractive prices for palm oil and kernels, the oil palm industry expanded rapidly during the period. The area under oil palm in Malaysia rose from 264,000 acres in 1965 to about 665,000 acres in 1970. The latter figure included about 161,000 acres in West Malaysia under FLDA schemes, 92,000 acres in Sabah and 2,150 acres in Sarawak.

358. Production of palm oil grew from 148,000 tons in 1965 to 424,000 tons in 1970, with Sabah accounting for about 6% of the 1970 figure. Palm kernel production grew less rapidly—from 34,000 tons in 1965 to 91,000 tons in 1970, as palm types with a higher oil-to-kernel ratio achieved greater importance.

359. *Pepper.* Acreage under pepper increased from 8,000 acres in 1965 to 22,000 acres in 1970, with Sarawak accounting for over 90% of the total. Export of pepper, which accounted for nearly 95% of production, rose from about 19,000 tons to nearly 26,000 tons.

360. *Timber and timber products.* Timber and timber products attained positions of major importance among Malaysia's commodity exports during the period. Round timber production rose from 6.9 million tons to 12.5 million tons over the period, with Sabah accounting for nearly 40% of the 1970 total.

361. *Padi.* After declines in 1966 and 1967 due to adverse weather conditions, padi output grew by 11.9% annually in 1968-70. About 86% of padi output came from West Malaysia. Increased double-cropping and rising yields per acre contributed to this growth. Double-cropped acreage in

West Malaysia rose from about 90,000 in 1965 to 326,000 in 1970. Double-cropping in Malaysia's largest padi project, the Muda River Scheme, began in early 1970.

362. In Sabah, with about 10,000 acres or 9.6% of the State's padi acreage double-cropped in 1970, padi output grew by 1% annually during the period. In Sarawak, padi production rose by 7.8% annually.

363. *Coconut.* Output in the coconut industry increased at just over 3% per year. In the estate sector the output of nuts decreased as a result of conversion to more remunerative crops, while smallholder production increased due to replanting and rehabilitation schemes in West Malaysia and to new planting in East Malaysia. Total acreage under coconut rose from 690,000 acres in 1965 to about 770,000 acres in 1970.

364. *Minor crops.* Among the other crops which acquired greater prominance were tapioca, sugar cane, cocoa and maize. Tapioca cultivation was encouraged in several States with the most organised effort in Pahang, where about 2,700 acres were planted in the Kuantan area. Significant progress was made towards the establishment of a sugar cane industry so that at the end of 1970 about 13,300 acres had been planted in West Malaysia. Although small relative to better-known crops, cocoa acreage in Malaysia increased four-fold in the last two years of the Plan to over 16,000 acres. Over half of the planted acreage is in Sabah. Much of the West Malaysian acreage consists of cocoa interplanted with coconut, while in Sabah cocoa is planted as a sole crop.

365. *Livestock and poultry.* Output of livestock and poultry products rose by 5.4% a year with growth centred in the pig and poultry sectors. Beef and milk production increased little during the period. By 1970 West Malaysia was virtually self-sufficient in pork and poultry products despite rapidly growing local demand for these items. West Malaysia remains heavily dependent upon imports of dairy products (valued at $68.9 million in 1970) and beef supplies ($3.1 million in 1970).

366. *Fisheries.* Output from Malaysia's fishing industry grew by 8.2% annually. One of the main factors behind this expansion was the rapid introduction of trawlers in West Malaysia, which increased from 20 units in 1965 to 734 units in 1969. Other factors were greater motorisation of the fishing fleet and improved design and material of fishing gear. Fish exports rose from $41.7 million in 1965 to $95.2 million in 1970.

2. EMPLOYMENT AND PRODUCTIVITY IN AGRICULTURE

367. The First Malaysia Plan estimated that employment in West Malaysian agriculture would grow at 2.3% per year or by about 165,000 new jobs in 1966-70. Actual employment in the sector, however, grew at 1.5% per year, providing a total of 104,000 new jobs. A major cause of the shortfall was the slow growth of employment in West Malaysia's largest industry, rubber. In 1962-67, although smallholder employment grew at almost twice the sector rate, this was offset by an average of 4.2% annual decline in estate employment. The contributing factors were efforts to reduce costs in the face of declining rubber prices, extension of less frequent tapping systems and subdivision of estates.

368. On the basis of overall output growth of 8% a year in 1966-70 and employment growth of less than 2% a year, the annual per worker productivity gain is over 6%. This high figure is due largely to annual productivity gains in rubber and oil palm estates.

369. Less is known of productivity increases in other sectors of Malaysian agriculture. Padi output grew by 6% per year, reflecting sharp productivity gains in double-cropping areas, where most of the output growth originates. In livestock and poultry almost all of the output growth was provided by the poultry and pig sector, in which capital intensity and output per worker have increased rapidly. Productivity in fishing also increased, primarily because of the expansion of offshore fishing.

370. These gains in output and productivity contributed to improved living standards in rural areas. Still, as discussed in Chapter III, rural incomes lag behind those received in urban areas, particularly in traditional rural activities where Malays predominate. Thus, significant reductions in rural poverty and racial economic imbalance require an acceleration of the employment and productivity gains just described, as well as significant movement of workers out of the traditional rural activities.

3. LAND DEVELOPMENT AND IMPROVEMENT

371. Under the First Malaysia Plan new land development was targetted at 400,000 to 450,000 acres in West Malaysia, 60,000 acres in Sabah and 80,000 acres in Sarawak. In West Malaysia, the FLDA was to develop 141,000 acres during the period; another 150,000 acres were to be developed through other public sector schemes and the remaining 110,000 to 160,000 acres by the private sector.

372. It is estimated that in West Malaysia about 330,000 acres were actually developed. Significant shortfalls in the Plan target occurred in private sector development and in public sector development other than FLDA. Overall development of 164,000 acres in East Malaysia exceeded the Plan target (*see* Table 9-2).

373. In West Malaysia, the FLDA exceeded its Plan target by more than 25%. During the period the FLDA planted 179,000 acres (46,000 acres in rubber and 133,000 acres in oil palm) and settled 11,900 families. Since its inception in 1956, the FLDA has developed 308,400 acres (160,600 acres of oil palm and 147,800 acres of rubber) and settled 20,700 families on 90 schemes.

TABLE 9-2

LAND ALIENATED AND DEVELOPED FOR AGRICULTURE BY TYPE OF PROGRAMME, 1961-70

(000 acres)

Programme	*Alienated*		*Developed*	
	1961-65	*1966-70*	*1961-65*	*1966-70*
FLDA[1]				
West Malaysia (WM)	176.1	132.1	119.3	179.0
East Malaysia (EM)	—	—	—	—
Fringe Alienation[2]				
WM	128.5	11.3	115.6	11.7
EM	10.0	40.0	8.0	40.0
Youth Schemes[3]				
WM	—	9.8	—	5.3
EM	—	—	—	—
Controlled Alienation[4]				
WM	187.7	106.3	108.2	42.0
EM	—	—	—	—

[1] Federally-financed, executed and managed schemes for clearing land and settling people in large blocks (frequently of 5,000 acres and upwards).

[2] Land is developed for agriculture, usually within 3 to 4 miles of an existing kampong, primarily to augment incomes of existing smallholders. Initial development is carried out by State Governments with financial assistance from the Federal Government.

[3] State-run settlement schemes for unemployed youths, financed entirely by State Governments. The settlers have to repay part of the cost of development. Each settler is allotted 5 to 8 acres of land with eventual ownership.

[4] Large blocks of land are made available by States for development, but individual settlers (smallholders) have to provide the development capital from their own resources. The State Governments charge rent for the land.

TABLE 9-2—(*cont.*)

LAND ALIENATED AND DEVELOPED FOR AGRICULTURE BY TYPE OF PROGRAMME, 1961-70

(000 acres)

Programme	Alienated		Developed	
	1961-65	1966-70	1961-65	1966-70
SEDC's and Others[5]				
WM	121.8	101.0	21.8	30.3
EM	1.0	70.5	4.0	88.5
Private Estates[6]				
WM	139.0	225.8	140.1	46.0
EM	0.3	17.6	0.2	17.7
Block Planting and State Schemes[7]				
WM	135.0	28.2	34.8	15.3
EM	n.a.	18.0	n.a.	18.0
Total				
WM	888.1	614.5	539.8	329.6
EM	n.a.	146.1	n.a.	164.2
Malaysia	n.a.	760.6	n.a.	493.8

[5] This includes public sector estates and joint ventures. The former are land development schemes undertaken and managed by SEDC's with loans from the Federal Government. They do not provide for settlement or individual land ownership; workers are paid as labourers. They may engage private sector, local or foreign, management skills. The latter are joint venture schemes between SEDC's and the private sector.

[6] Land developed by private sector in blocks of 100 acres and above each, mainly for rubber and oil palm. During 1966-70, 146,160 acres were alienated in Pahang, 74,680 acres in Johore and 5,000 acres in Selangor, giving a total of 225,840 acres. In Pahang 29 blocks of 5,020 acres each were alienated for nucleus estates where 1,020 acres in a block would be developed for smallholders. In Johore, 20,000 acres were alienated for oil palm and tapioca cultivation in blocks of 5,000 and 7,000 acres.

[7] Blocks of land are developed for agriculture by State Governments into holdings adequate to support a family unit (6 to 8 acres). Land clearing is financed by the Rubber Industry Replanting Board. Housing settlements are financed by the State or under Federal low-cost housing schemes. State schemes include those developed by the Kelantan State Land Development Authority, where settlers receive planting materials and are allotted 6 acres for rubber, an acre for garden, and 2 acres of rice land where available. A home site of one-quarter acre is also provided.

374. In Sabah, about 115,000 acres were developed in 1966-70, of which 85,000 acres were by the public sector and 30,000 acres by private sector efforts. About half of the total was planted in oil palm, almost a quarter in coconut and the remainder in rubber, padi and cocoa. In Sarawak, where

unencumbered agricultural land is in short supply, nearly 50,000 acres were developed, largely through public sector programmes. Of these, two-thirds were planted in coconut and more than a fifth in rubber.

375. As Table 9-2 shows, about 1.5 million acres were alienated for agriculture in West Malaysia during 1961-70 but only about 870,000 acres were planted. In some cases, this discrepancy reflects normal time lag between alienation and actual development. In others, the land alienated is unsuitable for agriculture or the recipient has shown little interest in developing it.

376. In 1966-70, the productivity of about 375,000 acres of cultivated land in West Malaysia was increased by drainage and irrigation improvement programmes. About 25,000 acres of rainfed padi land were provided with single-crop irrigation facilities. Another 40,000 rainfed acres were equipped for double-cropping and 137,000 single-cropped irrigated acres were provided with double-cropping facilities. In addition, 173,000 acres of rubber, coconut and other crops were improved through drainage schemes.

377. West Malaysia's two largest drainage and irrigation schemes for padi—the Muda and Kemubu—moved towards completion. Construction works in the 260,000 acre Muda Project were virtually completed during 1970, and the first off-season padi crop was harvested on over 83,000 acres. Construction of the Kemubu Project, designed to permit double-cropping of padi on 47,000 acres in Kelantan's coastal plain, began in 1968.

378. In Sabah, 17,000 acres of padi land were provided with improved irrigation facilities; another 3,600 acres were drained for oil palm production. In Sarawak more than 20,000 acres were improved through drainage and irrigation schemes.

4. RUBBER REPLANTING AND PROCESSING

379. The rubber industry continued to strengthen its competitive position *vis-a-vis* synthetic rubber. In West Malaysia, 467,500 acres of old rubber were replanted with high-yielding rubber and other crops during 1966-70, compared to the Plan target of 585,000 acres. Of the total acreage replanted, 65% was on smallholdings and 35% on estates. Nearly all of the smallholder acreage replanted, mostly with rubber, was financed partly by Government assistance and partly by the replanting cess collected from the industry. In addition, about 117,300 acres were newplanted during the Plan period, of which 105,400 acres were smallholdings

(including FLDA schemes) and the remaining 11,900 acres were estates. By the end of 1970, about 63% of smallholding acreage and about 92% of estate acreage were under high-yielding material.

380. In Sabah, 15,200 acres were newplanted and 5,300 acres replanted in 1966-70; nearly all were smallholdings. Replanting included not only rubber, but also other crops such as oil palm, coconuts, fruit trees and wet padi. In Sarawak, 71,900 acres were replanted and newplanted, also nearly all on smallholdings.

381. Significant improvements were made during the period in the processing and marketing of smallholder rubber. The Rubber Research Institute (RRI) converted the central processing factories at Meru in Selangor and Rantau in Negeri Sembilan to produce heveacrumb under the Standard Malaysian Rubber (SMR) scheme. Three more new process factories were set up by the RRI at Grisek in Johore, Mentakab in Pahang and at Ulu Langat, which the Selangor State Government helped to finance. These five factories serve 36,000 smallholders on a total area of 70,000 acres. In order to accelerate SMR production among smallholders, the Malaysian Rubber Development Sendirian Berhad (MRD) was established in October, 1969. There are also in operation 48 new process SMR factories owned by various estates and millers throughout West Malaysia, with a combined daily capacity of about 610 tons. Six more factories are under various stages of planning and construction; when completed, they will add another 70 tons per day to SMR production capacity.

5. OIL PALM PROCESSING

382. The FLDA established four oil palm processing mills with a combined capacity of 31 tons of fresh fruit bunches (ffb) per hour. These mills will have a final capacity of 143 tons ffb per hour during 1971-75 and serve an area of 58,000 acres. To cater for new areas coming into harvest, construction of three new factories at Bukit Mendi and Bukit Goh in Pahang and at Kulai, Johore, was undertaken in 1970.

6. INSTITUTIONAL DEVELOPMENT

383. The First Malaysia Plan saw the establishment and development of several institutions vital to rapid expansion and modernisation of agriculture. The Federal Agricultural Marketing Authority (FAMA) was established in 1965 to improve the efficiency of the agricultural marketing system. By the end of 1970, FAMA's Padi and Rice Marketing Board was involved in regulatory schemes in the principal padi growing States of West Malaysia

and had initiated padi trading in Tanjong Karang, Kedah, Kelantan and Trengganu. Marketing schemes for fish, coffee and pepper were being formulated. In addition, FAMA continued its research activities, dissemination of market information to producers and consumers and market development work for less known crops.

384. The Sabah Padi Board was established in 1967 to encourage double-cropping, introduce mechanisation, provide input subsidies and undertake marketing and milling of padi. The Board also served to promote settled agriculture so that farmers would discontinue the traditional practice of shifting cultivation.

385. Two agricultural vocational schools were established and the Schools of Agriculture at Bumbong Lima and Serdang were completed. Construction of a new school began at Kuala Lipis. The number of diplomates from the College of Agriculture increased from 40 in 1965 to 160 in 1970, and graduates from the Faculty of Agriculture of the University of Malaya increased from 21 to 50. In Sabah an agricultural vocational school was established at Tuaran. Despite these achievements, trained agriculturists remained in short supply. The most serious shortfall occurred in field level operatives from the Schools of Agriculture. This has been largely due to the delay in the establishment of Agricultural Schools, for which foreign financing was sought.

386. Training in marine fisheries was conducted at the two existing Marine Fisheries Schools in Trengganu and Penang. Construction of the Fishermen's Training Institute at Penang, with UNDP/Special Fund assistance, began in 1970. The Institute will produce 50 graduates annually with training in navigation, marine engineering and fishing operations. The Inland Fisheries Training Centre at Bukit Tinggi in Pahang was completed in 1968 and by 1970 had provided training to 138 individuals in techniques of inland fish culture and pond management.

387. Four veterinary training centres for farmers were established in West Malaysia to conduct courses in cattle and poultry husbandry. Short courses in artificial insemination were conducted at the Paroi Artificial Insemination Centre in Negeri Sembilan.

388. The Malaysian Agricultural Research and Development Institute (MARDI) was established in 1968. MARDI is responsible for public sector production research on all crops (except rubber), livestock, poultry and freshwater fisheries. Extensive collaboration with private sector research

efforts is anticipated, and joint research committees have already been established for cocoa and oil palm. Land adjacent to the Serdang College of Agriculture has been reserved for MARDI's research and administrative headquarters.

389. In 1969 the Government established Bank Pertanian Malaysia to strengthen and co-ordinate public sector credit programmes for agriculture. Bank Pertanian's initial focus has been upon the short-term production credit needs in the Muda and Kemubu padi areas. In 1970 initial steps were taken by the Bank to develop a capability in intermediate term lending and to meet credit needs of rural producers outside of the Muda and Kemubu areas.

390. During the First Malaysia Plan period a new dimension was given to the extension programme with the introduction of multi-purpose Farmers' Associations (FA's). Each FA is designed to cover an area of 5,000-10,000 acres and provide extension, credit, processing, warehousing, transport and marketing services to the 1,000-2,000 farm families in the area. By the end of 1970, 61 FA's had been established in West Malaysia and the concept had been introduced in Sabah and Sarawak.

391. Other key elements in the agricultural extension programme are the farm mechanisation and rural training centres, where short courses on mechanisation, crop production and home economics are provided to farmers and their wives and children.

392. The Federal Land Rehabilitation and Consolidation Authority (FELCRA) was established in 1966. Subsequently, 18 fringe alienation schemes, comprising 15,000 acres and 2,400 participants, were taken over for rehabilitation. A 500-acre new land development project also was initiated.

393. The Division of Food Technology in the Ministry of Agriculture and Lands was established in 1966 with assistance provided under the UNDP/ Special Fund. Research work done by the Division emphasises cereal technology, fruit and vegetable technology, food analysis and control, food engineering and packaging. A fruit and vegetable processing station was established at Tampoi and a fish processing station at Kuala Trengganu. Several in-service training courses were also conducted.

7. LAND CAPABILITY CLASSIFICATION

394. Knowledge of West Malaysia's natural resource base was greatly enhanced by the Land Capability Classification Programme initiated in 1966

and completed in 1970. This programme has provided data on present land use and potentials for further mining, agricultural, forestry and water resource development in currently unused areas. Although such a programme has not been completed for the East Malaysian States, estimates of the natural resource potentials are being compiled. As shown in Table 9-3 a total of 8.3 million acres were under cultivation in 1969, of which about 7.1 million acres were in West Malaysia. Of the remaining 30.6 million acres of land suitable for agriculture, it is estimated that some 24.5 million acres can be developed for agriculture, after allowance for urban and other non-agricultural uses.

TABLE 9-3

AGRICULTURAL LAND USE AND POTENTIAL, 1969

(million acres)

Type of Land	*West Malaysia*	*Sabah*	*Sarawak*	*Total*
Total land area	32.5	18.4	30.5	81.4
Total land suitable for agriculture ...	15.9	8.8	13.2	37.9
Area under agricultural uses	7.1*	0.5	0.7	8.3*
Area available for development	9.8	8.3	12.5	30.6

395. About 22.5 million acres of West Malaysia are forested of which about 8.3 million acres are suitable for agricultural development. Only 14.2 million acres appear suitable for permanent productive or protective forestry use after allowance is made for future agriculture, mining and urban development. Of the above 14.2 million acres, about 10.2 million acres appear to have a productive potential while the remaining four million acres have an important function as protective forests.

396. The forest resources of East Malaysia are less well defined. However, it is estimated that about 23.3 million acres of Sarawak are forested, of which only about 6.5 million acres are likely to be commercially accessible over the next two decades. Of the latter about one million acres have alternative potential for agriculture. About 14.9 million acres of Sabah are forested of which about 12.4 million acres appear to have productive potential but only 7.2 million acres appear to be commercially exploitable.

III. OBJECTIVES AND TARGETS OF THE AGRICULTURAL SECTOR

397. The dominance of agriculture in the Malaysian economy means that the achievement of the Second Malaysia Plan objectives depends greatly

* Of which one million acres are not suitable for permanent agriculture on a sustained yield basis.

on developments in this sector. A goal is to bring about the modernisation of agriculture so that incomes in modern agricultural occupations will be comparable with those in urban areas. The modernisation process will also contribute to the integration of agriculture with modern activities in commerce and industry. This will create an economic and social environment in rural areas and smaller towns that will facilitate the development of a dynamic agricultural sector. To attain this goal, the Plan will intensify measures:

(i) to increase employment opportunities through the sound exploitation of Malaysia's land, water and timber resources;

(ii) to raise worker incomes by increasing productivity and the scale of operation, particularly among the more traditional activities where incomes are lower than in other sectors;

(iii) to expand the range and quantity and improve the quality of agricultural products, particularly foodstuffs (including fruits and vegetables), commercial crops and livestock products; and

(iv) to strengthen institutions such as Farmers' Associations which promote fuller participation of rural residents in the economic and social life of the nation.

398. To meet the overall West Malaysia employment target, agricultural employment must expand by at least 1.7% annually, or by an average of 25,000 jobs per year. The achievement of this target requires a much larger land development programme than in the past. In addition, emphasis will be placed upon the productive absorption of more labour in existing agriculture and forestry. Research, extension and marketing programmes will be designed to encourage off-season cultivation, intercropping and other practices which contribute to this objective.

399. The achievement of the new land development target is the most important determinant of the rate at which agricultural employment will be created. The target for West Malaysia is 150,000 acres per year. The annual targets for Sarawak and Sabah are 30,560 acres and 31,400 acres, respectively.

400. Agricultural output growth in Malaysia of 8.3% per year is projected for 1971-75. Production of rubber, palm oil and kernels and fish is expected to grow more rapidly than the general average. Padi and pineapple output are projected to grow less rapidly than the average, but at considerably higher rates than in the previous Plan period. Timber, on the other hand, will grow more slowly. This lower rate is expected as the timber industry has

already reached a high level of production in West Malaysia; in East Malaysia new timber concessions are being limited pending the completion of timber resource surveys now underway.

401. Worker productivity and incomes in traditional agriculture will be enhanced by rapid expansion of padi double-cropping, a larger smallholder rubber replanting programme and an extended system of modern rubber processing facilities. In the fishing industry, a relatively small sector in employment terms but one in which income problems are particularly pressing, the processing of fish and offshore fishing will be actively promoted, particularly among East Coast fishermen, through the establishment of a Fisheries Industry Development Authority. In West Malaysia's depressed smallholder coconut areas, land use will be intensified by a stepped-up programme of 50,000 acres of coconut replanting and rehabilitation, as well as interplanting with cocoa.

IV.—THE PROGRAMMES

402. *Land Development.* A significant contributor to the Plan objectives is the land development programme. The target of the Second Malaysia Plan is to develop over a million acres, more than twice the acreage developed under the previous Plan. To achieve this target a number of innovations will be introduced. The public sector land development programme will be broadened with increased reliance being placed on regional land development authorities, SEDC's, FLDA and FELCRA. Co-ordination will be provided by the Ministry of National and Rural Development. In the smallholder schemes, attention will be paid to the size of holdings and the choice of cropping patterns so as to ensure remunerative employment.

403. The FLDA will continue to be the single most important land development agency in the country and is scheduled to develop 55,000 acres per year. Most of this development will of necessity occur in the land-abundant States of Johore and Pahang, in large scale projects which offer economies in clearing, land development and product processing. Rubber and oil palm will be planted on the bulk of this new acreage, although FLDA will continue to explore new crop and livestock possibilities. The important role envisaged for FLDA is demonstrated by the Plan target to settle 23,700 families over a period of five years, 1971-75, as compared to a total of 20,700 families settled by the Authority in the 15 years since its establishment in 1956. By 1975 FLDA schemes will be producing annually more than 55,000 tons of high-grade rubber and 215,000 tons of palm oil.

404. The private sector is also expected to play an important part in the land development programme. In West Malaysia, about 112,500 acres are expected to be developed by the private sector and another 50,000 acres by joint ventures between the private sector and various public bodies over the five years.

405. Other important elements in West Malaysia's public sector development programme are Federally-financed youth land schemes and public estates. The youth land schemes will be expanded by 75,000 acres over the five-year period. They will be undertaken by FELCRA and State authorities with Federal assistance in the form of loans.

406. Public sector estate development, of which Sungei Tong Scheme in Trengganu is a prototype, will be expanded to provide employment in large-scale, efficiently-run agricultural enterprises. A target of 50,000 acres has been established for the five-year period. Where State finance is inadequate, Federal loans will be provided to assist this form of land development.

407. The FELCRA will continue its programme of rehabilitating fringe alienation schemes at the rate of 3,200 acres per year in 1971-75. It will embark upon a programme of developing new land in blocks which are smaller than those normally developed by FLDA. A five-year target of 25,000-40,000 acres of such new land development has been set.

408. The Plan also sets a target of 150,000 acres to be developed under the smallholder rubber block newplanting schemes. The programme, to be run on a co-operative basis and supervised by the Council of Malayan Smallholders Associations, will be financed by funds from the replanting cess and by Federal Government assistance. It is designed to encourage replanting and provide additional income to those smallholders who own less than five acres of land and have found it difficult to replant.

409. Mobilisation of trained manpower to implement and manage the schemes described above is one of the important requirements for achieving the targets. In order to obtain the manpower required for the public sector programmes, the Government will undertake an extensive training programme for all levels of personnel required. In the meantime, the Government will make greater use of managerial and technical skills available in the private sector to supplement its manpower resources.

410. The land development programmes in East Malaysia will be pursued vigorously. In Sabah, a total of 157,000 acres will be developed. The Sabah

Land Development Board will develop 50,000 acres, the Department of Agriculture 37,000 acres and the Co-operative Land Development Societies 10,000 acres. The private sector is expected to develop 60,000 acres. Oil palm, cocoa and wet padi will be the most important crops in terms of new acreage planted.

411. In Sarawak, smallholder rubber newplanting will be carried out on 39,000 acres, of which about 9,000 acres will be developed under youth schemes by the Sarawak Development Finance Corporation. About 45,000 acres will be developed for coconut, 14,000 acres for oil palm and another 54,800 acres for padi and other crops. Thus the total land development target in Sarawak is 152,800 acres.

412. *Rubber Replanting.* At the end of 1970, about one million acres of smallholder rubber in West Malaysia remained under low-yielding material. The bulk of this acreage is Malay-owned and in small plots. Rapid replanting of this acreage is essential in order to raise rural incomes. The pace of replanting in West Malaysia will be stepped up to an annual average of 120,000 acres, or nearly double the rate of smallholder replanting in 1966-70.

413. More than 63% of the total rubber acreage in Sabah of about 260,000 acres is now under high-yielding material. During 1971-75, about 20,000 acres of old rubber will be replanted with high-yielding rubber, oil palm and other crops. In Sarawak, about 40% of the total acreage under rubber is of high-yielding material. During the Plan period, 65,000 acres will be replanted with high-yielding rubber.

414. *Rubber processing.* Under the Second Malaysia Plan about 40 block rubber factories will be established in West Malaysia to produce SMR from smallholders' latex. Of these, 25 factories with a daily capacity of up to 40 tons each will be established and operated by the Malaysian Rubber Development Corporation, while the other 15 will be undertaken by FELDA, SEDC's and the private sector. These factories will cater for about 400,000 tons or more than 90% of that part of smallholders' latex still available for conversion to new process rubber in 1971. In East Malaysia, block rubber factories for smallholders will be established by the public sector. By upgrading the quality of rubber produced and reducing the marketing margins, these new facilities will increase the value added from rubber production and thereby enhance the incomes of smallholders. This programme will also serve the objective of dispersing industrial plants to the less developed areas.

415. *Irrigation.* Double-cropping of padi is an important means of raising the productivity and income of farmers. Throughout Malaysia the irrigation programme will emphasise provision of double-cropping facilities in designated padi areas, rather than development of new padi areas. The use of these facilities for new off-season crops will be encouraged where appropriate.

416. The Muda, Kemubu, Besut and smaller irrigation schemes will be brought into full operation during the Plan period. In West Malaysia, the area under double-cropping will increase from 326,000 to 868,000 acres. West Malaysia is expected to be self-sufficient in rice before 1975. In Sabah, double-cropping will extend from 10,000 acres to 30,000 acres by 1975. In Sarawak, about 8,000 acres of existing padi land will be improved and another 7,000 acres of new land will be developed for padi in 1971-75.

417. *Coconut and Pineapple Replanting and Rehabilitation.* The yield per acre in West Malaysia's 471,000 acres of coconut smallholdings is less than one-half of that in the estate sector. The programmes of rehabilitation, replanting and intercropping to increase returns to smallholders will be continued. Cocoa will be added as a new inter-crop for which planting assistance will be provided. During the Plan period 50,000 acres of smallholders coconut in West Malaysia will be replanted or rehabilitated with Government assistance and planted with approved inter-crops. A target of 20,000 acres of intercropping with cocoa has been established, together with smaller acreages for intercropping with pineapple, coffee, bananas and cashew nuts. The Government will launch a pineapple replanting scheme to cover the entire acreage at present under smallholdings. Under the Second Malaysia Plan, 10,000 acres of pineapple will be replanted with high-yielding varieties with Government grants and subsidies. This scheme will bring about a significant improvement in the level of income of the pineapple smallholders. The scheme is also geared to meeting the requirements of the pineapple canning industry.

418. *Agricultural Research.* During the period MARDI will be developed into a fully operational research organisation. The main emphasis in MARDI's research programme will be the improvement of production practices and marketing opportunities for oil palm and cocoa, soil and water management research and rice production research. Priority will also be accorded to diversification crops, including tapioca, maize, sago, soya-bean, cashew nuts, vegetables, fruits and sugar cane. Research will be undertaken on livestock improvement, particularly beef cattle, and on production economics and marketing.

419. Some of the research facilities of the Ministry of Agriculture and Lands have already been transferred to MARDI and new facilities will be developed where necessary. The new headquarters at Serdang will be used to co-ordinate applicable background research, to extend technical services to the Government and other organisations and to provide liaison with industry groups. The Northern Regional Research Centre at Bumbong Lima will concentrate on rice, rotation crops and water management. A Southern Regional Research Centre will be constructed in Johore for research on a wider range of crops, soils engineering, crop protection and livestock. Other facilities will be developed for research on cocoa, pine-apple and coconut.

420. MARDI will develop effective working relationships with Sabah and Sarawak. While research activities will be conducted by existing organi-sations in the two States, MARDI will provide research specialists for mutually agreed projects, furnish essential equipment and provide training opportunities for East Malaysian personnel.

421. The major factor limiting efforts to strengthen agricultural research in Malaysia is the shortage of qualified Malaysian research workers. Overall demand for agricultural scientists with post-graduate training will exceed supply in the foreseeable future. To meet its requirements for qualified scientists, MARDI is embarking on an ambitious and comprehensive training programme. It will provide scholarships to potential research workers for courses leading to B.Sc., M.Sc. and Ph. D. degrees in Malaysian and foreign universities. MARDI will also sponsor trainees at the diploma and certificate levels.

422. *Agricultural Education.* The realisation of employment and income objectives in the agriculture sector is heavily dependent on the availability of trained and skilled manpower. At the operative level, about 2,000 persons will be trained through the construction of another four Schools of Agri-culture, in addition to the two at Serdang and Bumbong Lima.

423. The College of Agriculture, Serdang plans to double its output to 320 diplomates per year by 1974. This measure will increase the number of college-trained personnel by 1,120 but will still not be sufficient to meet demand for this category of manpower. However, the gap will be consider-ably narrowed from that which exists at the beginning of the current Plan period. The range of courses offered by the College will be expanded to include forest technology, veterinary science and livestock development. The planned expansion of the Faculty of Agriculture in the University of

Malaya is expected to meet demand for B.Sc. level personnel. Planning is underway for the establishment of an Agriculture University during the Plan period. This will incorporate the existing College of Agriculture in Serdang and the Faculty of Agriculture in the University of Malaya.

424. *Agricultural Extension.* To strengthen the Division of Agriculture's extension programme, four additional Farm Mechanisation Training Centres and six more Rural Training Centres will be established in West Malaysia. The Farm Mechanisation Centres provide training to farmers in machinery operation and maintenance, while the Rural Training Centres teach crop production and home economics. Most of the Division's extension efforts will be carried out through FA's, which will be increased from 61 to more than 200 by 1975.

425. The field staff of the RRI will continue to receive in-service training in order to further enhance the effectiveness of its extension effort. The RRI will continue to implement projects such as establishment of Group Processing Centres and intercropping young rubber with cash crops.

426. In Sarawak, several more Farmers Training Centres (for primary school-leavers) and Farm Institutes (for secondary school-leavers) will be established. Facilities at the Joint Training School at Semongok will be extended to accommodate trainees from the Forestry, Agriculture, Lands and Survey Departments.

427. In Sabah, funds will be made available for additional vocational training facilities for students, in-service training for junior staff and rural training for farmers.

428. *Agricultural Credit.* Over the period 1971-75, Bank Pertanian will progressively increase its role as the central agency for public sector agricultural credit. Government funds for this purpose will initially be made available to the Bank for lending to producers through rural co-operatives and Farmers' Associations and to FAMA for programme use. Until Bank Pertanian has sufficient staff to establish branch operations, it will operate through a system of local credit centres comprising co-operative societies, FA's and private sector agents. So far, Bank Pertanian has dealt mainly with short-term production credit for padi. However, medium-term loans for purchase of equipment and vehicles and long-term credit for land development, redemption of mortgaged land and purchase of processing equipment are also within its purview. These lending activities will be taken

up as the Bank acquires adequate technical and administrative capacity. Ultimately the Bank will provide credit in all fields of farming, fishing and livestock production.

429. The rural co-operatives will continue to play a significant role in the provision of agricultural credit. In addition to acting as local credit centres of Bank Pertanian, these societies will issue loans for various purposes from their own funds.

430. *Agricultural Marketing.* The licensing of market intermediaries and direct involvement in trading and processing of agricultural products will constitute FAMA's main approach to marketing improvement. Regulatory and licensing schemes for padi will be continued in West Malaysia and extended to Sarawak shortly. Padi trading schemes will continue to operate in Tanjong Karang, Kedah, Kelantan and Trengganu. In Sabah, the marketing of padi will be undertaken by the Sabah Padi Board.

431. Marketing complexes to ensure more efficient fish landing, storage and trading will be established by FAMA in Kuching and Kuala Trengganu and, in conjunction with the Division of Fisheries, in Kuala Kedah, Kuantan, Lumut and Penang. In these complexes fish trading will be carried out by a joint venture enterprise between the Fish Marketing Board and fishermen, boat-owners and fish traders. This enterprise will also undertake ice production, management of cold storage and transport facilities and processing and export of fish products.

432. Regulatory and grading schemes designed to control quality of pepper exports and ensure stable and remunerative returns to producers will be initiated by the proposed Pepper Marketing Board during the Plan period. Pepper grading centres will be set up in Kuching, Sarikei and Johore. A maize and sorghum marketing scheme, incorporating production incentives and market outlets, will be implemented during the period. Besides the coffee marketing scheme initiated under the First Malaysia Plan, new marketing schemes will be initiated for some fruits, vegetables and livestock products. Programmes of market information for producers and consumers and marketing research will be continued.

433. *The National Padi and Rice Authority.* The Government will establish a National Padi and Rice Authority (NAPRA) to co-ordinate the various aspects of production, processing and marketing of padi and rice. The Authority will be a single integrated agency responsible for the formulation of overall national policies for the rice industry. Specifically, the Authority is charged with the responsibility to ensure a fair and stable price for both

producers and consumers, to ensure sufficient supply of rice to meet any contingency and to advise the Government on general policies relating to the production of padi and rice, including the feasibility and extent of self-sufficiency.

434. To achieve these objectives, the Authority will carry out a comprehensive and effective guaranteed minimum price scheme for padi, promote the processing and marketing of padi and rice and maintain a rice stockpile for strategic and price stabilisation purposes. The Authority will also look into the promotion of other activities in present padi-growing areas and the efficient location of extensive areas for padi, so as to provide higher incomes for farmers.

435. *Production Incentives.* Various price incentives and input subsidies will be employed to enhance worker productivity and encourage labour-intensive cropping. The Guaranteed Minimum Price (GMP) for padi will be continued, with the GMP level subject to annual review. To provide better facilities for padi farmers more purchase points will be set up in padi producing areas. An improved padi grading system will be implemented to increase incentives for the production of high-quality padi.

436. Productivity and income disparities between single-crop and double-crop padi areas will be reduced through measures to encourage off-season cropping with high-value crops. Maize and sorghum present good possibilities and programmes will be designed to encourage their production.

437. Subsidies in the form of planting materials, chemicals and equipment will be provided up to a maximum of $200 per acre for fruit replanting and $100 for rehabilitation schemes. Subsidies for pineapple and cocoa will also cover land improvement. Other crops which will benefit from subsidy schemes, mostly in the form of improved seeds and agricultural chemicals, are maize and sorghum, pepper, groundnut, tapioca, coffee, cloves, nutmegs and cashew nuts.

438. *Regional Masterplans.* Several extensive regions, rich in basic land resources and agricultural potential, have been selected for accelerated development during the Plan period and beyond. Consultants, appointed under British and Canadian aid, have begun detailed evaluation of the land resource base and its development potentials. They will also specify infrastructural and other requirements and draw up comprehensive masterplans to guide development in these regions in both the medium and long terms.

439. Two of the regions, Johore Tengah and Tanjong Penggerang, cover a combined area of approximately 700,000 acres, of which about 300,000 acres comprise potential agricultural land. Much of the remainder, apart from about 150,000 acres already under agricultural use, consists of productive forest on hilly to mountainous terrain unsuitable for agriculture. This forested area will provide a basis for an integrated timber industry over the long term. Oil palm and rubber will constitute the main crops in the proposed agricultural areas, although ruminant livestock development and large-scale tapioca production are also possibilities. About 50,000-60,000 acres in these two regions are likely to be developed for agriculture during the Second Malaysia Plan period.

440. A third region, Pahang Tenggara, occupies some 2.4 million acres in southeast Pahang. Nearly half is believed suitable for agriculture. This region, constituting the largest area of contiguous potential agricultural land in West Malaysia, will be the most important centre of new land development in the country for the next 20 years. An estimated 80,000 acres are to be developed during 1971-75. The masterplan, to be finalised in 1972 and designed primarily to guide the development of sustained-yield forestry and agricultural activities, will also provide an outline for the long-term urbanisation and industrial development in the region and surrounding areas.

441. An appraisal of the economic problems and an evaluation of the opportunities for future development of Kelantan will be carried out early in the Plan period. Evaluation of Kelantan's development potential is timely, especially in view of the construction of the East-West Highway.

442. In Sarawak, a regional masterplanning study for the development of a large area of land including the Lambir-Subis region in the Fourth Division is being pursued. The area, which has the largest extent of unencumbered land in the State, contains between 500,000 and 800,000 acres of potential agricultural land. The plan will comprise land, forestry and mineral resource development and will provide for the movement of a significant number of settlers into the region.

443. *Forestry.* Forestry projects under the Plan will improve utilisation of West Malaysia's forest resources, enhance the quality of these forests for future exploitation and ensure that forests contribute to soil and water conservation. To meet these objectives, projects will be directed towards forest management and research on forest products utilisation and re-afforestation. A programme for re-afforestation will be implemented, and financed through a cess to be collected on all logs extracted.

444. During the Plan period, the Forest Products Research Laboratories at Kepong will be expanded, and a forest management planning unit and a forest road planning unit will be set up. The Plan also provides for the development of silvicultural research and the continuation of two UNDP projects, in forest industries development and pilot plantations for quick-growing pine species. In Sabah and Sarawak, emphasis will be given to research and the establishment of experimental plantations. Projects for forest industries development planning will be continued in Sabah and in Sarawak.

445. A forestry college will be established to train sub-professional personnel for the forest services throughout Malaysia. This will be developed by the Forestry Department and the Agriculture University.

446. *Natural Resource Evaluation.* An important requisite for regional planning is the availability of data on the regional distribution and existing development of natural resources. During the Plan period, a natural resource evaluation project will be carried out in West Malaysia. This will up-date the Land Capability Classification data and provide more detailed data on West Malaysia's natural resources. Among the more significant features of this project will be new aerial photographs to be taken in 1973, the establishment of a network of hydrological stations for water resource evaluation and a detailed inventory of land under agricultural titles and other permits. A Census of Agriculture will also be undertaken.

447. *Fisheries.* The programme of the Division of Fisheries is designed to develop and exploit more fully Malaysia's fisheries resources and to improve the income of fishermen. An important feature of the programme will be the setting up of a Fisheries Industry Development Authority. This Authority will be established to promote the more extensive use of modern techniques and provide cold storage and processing facilities. The Authority will initially operate on the East Coast of West Malaysia with a trawler fleet expected to number 300 by 1975. The activities of the Authority will facilitate the transfer of low-productivity inshore fishermen to the modern sector of the industry.

448. New projects to develop fish landing facilities at Kuantan and Kuala Trengganu will be undertaken. These projects will include provision of warehouses, boat-yards and cold storage and ice-making facilities. Training programmes for marine and inshore fishermen will be expanded. The

Fishermen's Training Institute in Penang, which provides training in navigation, seamanship, gear maintenance and modern fishing techniques, will become fully operational. Extension services, channelled mainly through formal training, will be expanded through the establishment and operations of Fishermen's Associations. The programme will also include research. A fish resource survey will be undertaken to locate and determine the extent of offshore fish resources.

449. *Livestock*. In the pig and poultry industries emphasis will be on increasing efficiency, to place these products within the price range of low-income consumers and to enhance their competitiveness in export markets. For ruminant livestock the focus of development efforts will be to provide the technical and infrastructural base upon which to build an efficient industry. Central to this will be the extension of research facilities, expansion of breeding schemes, development of grazing reserves and artificial insemination services, establishment of new veterinary centres and multiplication units and expansion of training facilities.

450. The Veterinary Research Institute at Ipoh will be expanded to carry out applied animal health research. A parasitology unit will be established together with regional laboratories in Penang and Johore and twelve more veterinary centres/sub-centres will be built. The training facilities at the Veterinary Training Centre at Kluang will be expanded. The Central Abattoir will be constructed at Batu Tiga in 1971.

451. A major constraint on rapid expansion of the ruminant livestock industry in Malaysia is the shortage of productive breeding stock. To alleviate this difficulty and following the recommendation of an FAO/IBRD livestock project identification mission in 1970, three cattle multiplication units will be established in West Malaysia and multiplication facilities at the Kluang Station will be expanded. These units will help propagate improved stock in large numbers for the development of a large-scale cattle and dairy industry. They will also provide useful opportunities to test under commercial conditions research results relating to animal health and management, pasture and forage production. The FAO/IBRD mission also recommended a pilot beef project in Sabah. A detailed feasibility study of the project, financed by the New Zealand Government, is now being undertaken.

452. *Food Technology*. The Division of Food Technology will carry out research on handling, storage, utilisation, processing and the technical

aspects of marketing of local raw and processed foodstuffs. The research work will be carried out at the Research Centre, Serdang and other field stations in West Malaysia. The Fish Processing Station at Kuala Trengganu plans to produce canned and frozen fish, fish meal, fish crisps and other sea foods. The Fruit and Vegetable Processing Station at Tampoi, Johore will produce fruit squashes, jellies, marmalades and fruit juices. Two other field stations at Alor Star will be completed during the period, of which one will undertake research on poultry dressing, packing and marketing and egg storage and marketing. The other will carry out research on padi drying, milling and storage, production of rice bran oil and compounding of animal feeds from defatted rice bran. Two new field stations will be built at Tampoi to undertake research on raw materials such as tapioca and sago for the production of starch and sugar products, and on the development and utilisation of coconut and palm oil products. These stations will also serve as demonstration units for improving present methods and as training centres. To implement this programme, officers will be sent abroad for training in specialised fields.

V.—ALLOCATION FOR AGRICULTURAL DEVELOPMENT

453. The allocation for agricultural development under the Second Malaysia Plan amounts to $1,956 million as shown in Table 9-4. This total is about 80% higher than the amount allocated for this sector in the First Malaysia Plan. The largest allocation, $909 million, is in respect of land development which accounts for nearly 47% of the total.

454. External financial and technical assistance will be sought for the implementation of the research and training programme of MARDI. External assistance will also be sought from the World Bank for financing land development projects in the Southeast Johore region, Pahang Tenggara region and in the Jengka Triangle Phase III. In the field of drainage and irrigation, a loan from the Asian Development Bank has been approved for the Besut Scheme. Other projects for which external assistance will be sought include fishing harbour complexes at Kuala Kedah, Penang, Lumut, Kuala Trengganu and Kuantan, as well as padi milling complexes.

TABLE 9-4

PUBLIC DEVELOPMENT EXPENDITURE FOR AGRICULTURAL DEVELOPMENT, 1966-75

($ million)

	Original Plan allocation 1966-70	Estimated Expenditure 1966-70				Allocation 1971-75*			
		West Malaysia	Sabah	Sarawak	Total	West Malaysia	Sabah	Sarawak	Total
Agriculture	*84.1*	*61.0*	*23.0*	*12.8*	*96.8*	*108.70*	*8.48*	*32.03*	*149.21*
Crop production service	—	2.5	15.0	0.1	17.6	6.31	—	—	6.31
Crop protection service	—	2.0	0.5	0.1	2.6	1.91	—	—	1.91
Soil and agricultural service	—	0.7	—	0.1	0.8	2.01	—	—	2.01
Extension	12.5	15.4	1.1	3.2	19.7	49.99	2.31	8.05	60.35
Education	15.7	3.0	0.6	1.7	5.3	7.96†	5.74	0.18	13.88
Coconut replanting and rehabilitation	—	12.5	—	7.1	19.6	16.43	—	7.59	24.02
Pineapple replanting	—	—	—	—	—	4.76	—	—	4.76
Farm crop subsidies	55.9	24.9	5.8	0.5	31.2	18.73	0.43	16.21	35.37
Buildings	—	—	—	—	—	0.60	—	—	0.60
Rubber Replanting	*160.2*	*116.3*	*10.0*	*42.6*	*168.9*	*210.40*	*8.25*	*50.43*	*269.08*
Rubber Processing Centres‡	—	*(2.6)*	—	—	*(2.6)*	*(35.00)*	—	—	*(35.00)*
Land Development	*375.9*	*309.7*	*47.0*	*6.9*	*363.6*	*795.14*	*102.55*	*10.96*	*908.65*
FLDA	305.0	248.4	—	—	248.4	582.42	—	—	582.42
FELCRA	30.0	25.4	—	—	25.4	36.35	—	—	36.35
Youth Land Schemes	—	8.1	—	—	8.1	61.20	12.40	0.73	74.33
Public Estates and other schemes	13.1	16.8	11.1	6.9	34.8	94.47	53.75	10.23	158.45
Rubber and oil palm schemes	27.8	11.0	35.9	—	46.9	20.70	36.40	—	57.10

* Includes both State and Federal funds.
† Allocation for College of Agriculture, Faculty of Agriculture and Agriculture University appear under the Education sector allocation.
‡ This is functionally classified under Commerce and Industry.

TABLE 9-4—(*cont.*)

PUBLIC DEVELOPMENT EXPENDITURE FOR AGRICULTURAL DEVELOPMENT, 1966-75

($ million)

	Original Plan allocation 1966-70	*Estimated Expenditure 1966-70*				*Allocation 1971-75**			
		West Malaysia	*Sabah*	*Sarawak*	*Total*	*West Malaysia*	*Sabah*	*Sarawak*	*Total*
Drainage and Irrigation	*332.7*	*328.5*	*8.4*	*5.7*	*342.6*	*228.17*	*15.39*	*12.93*	*256.49*
Forestry	*12.4*	*11.9*	*1.7*	*1.3*	*14.9*	*8.67*	*7.21*	*2.35*	*18.23*
Animal Husbandry	*33.8*	*13.9*	*2.7*	*1.9*	*18.5*	*37.01*	*3.83*	*3.26*	*44.10*
Fisheries	*22.3*	*5.3*	*2.1*	*1.6*	*9.0*	*39.79*	*2.18*	*3.87*	*45.84*
Agriculture Credit and Marketing	*37.0*	*13.8*	*9.3*	*6.5*	*29.6*	*97.25*	*29.25*	*28.60*	*155.10*
Bank Pertanian	—	3.0	—	—	3.0	60.00	—	—	60.00
Co-operatives	1.5	0.4	—	—	0.4	1.10	—	0.10	1.20
FAMA	3.0	10.4	—	—	10.4	36.15	—	—	36.15
Padi Board	3.5	—	9.3	—	9.3	—	26.50	—	26.50
Rural Credit	29.0	—	—	6.5	6.5	—	—	28.50	28.50
Others	—	—	—	—	—	—	2.75	—	2.75
Agriculture research	*23.2*	*8.8*	*3.0*	*1.2*	*13.0*	*34.03*	*13.26*	*2.92*	*50.21*
Research	18.2	6.7	3.0	1.2	10.9	30.26	13.26	2.92	46.44
Food Technology	5.0	2.1	—	—	2.1	3.77	—	—	3.77
Others	*5.0*	*42.0*	*9.0*	*6.2*	*57.2*	*11.70*	*8.00*	*4.25*	*23.95*
Total	1086.6	911.2	116.2	86.7	1,114.1	1,570.86	198.40	151.60	1,920.86

* Includes both State and Federal funds.

CHAPTER X

Manufacturing

I.—INTRODUCTION

455. Manufacturing is a strategic sector for the achievement of the objectives of the New Economic Policy. Under the Second Malaysia Plan it will play an expanded role in the process of modernising and restructuring the economy. Activities in this sector are especially important in the Plan's aims to eradicate poverty by expanding employment and to create a Malay commercial and industrial community. Manufacturing is also important in the development of new activities in areas now heavily dependent upon agriculture for employment and growth.

II.—REVIEW OF PROGRESS

456. During the decade of the 1960's manufacturing was the most rapidly growing sector. Over the period the average annual growth rate in *West Malaysia* was 10.2% as compared to 5.5% for GDP. In 1960 value added in manufacturing contributed 8.5% of GDP and in 1970, 13.1%. Over the decade 19.6% of the increment of GDP originated in the manufacturing sector. During the First Malaysia Plan period the rate of growth of net manufactured output was nearly twice that of overall output, i.e., 10.4% compared to 5.4% per year. These figures represent real and dynamic changes in the structure of the economy as price changes were insignificant.

457. Manufactured *exports* from West Malaysia showed even greater dynamism. Over the decade their average annual growth rate was 14.2%. By 1970 an absolute level of $515 million was achieved as compared to $282 million in 1965. Exports of manufactured products grew at more than twice the rate of total exports. In 1960 manufactured products comprised less than 5% of total exports, while by 1970 they exceeded 10%. It is also significant that the rate of growth of manufactured exports was higher than that of net manufactured output, indicating that Malaysia's industries were becoming increasingly export oriented. The data in Table 10-1 include

shipments of manufactured goods from West Malaysia to Sabah and Sarawak, which have grown rapidly in recent years. In 1970 about one-fifth of West Malaysia's gross exports of manufactured goods went to East Malaysia. Even allowing for this source of increased demand, the points made concerning the growing importance of manufactured exports remain valid.

TABLE 10-1

MANUFACTURING OUTPUT, EMPLOYMENT AND EXPORTS, WEST MALAYSIA, 1960-70

	Value added	*Employment**	*Gross value of manufactured exports†*
	($ million)	*(000)*	*($ million)*
1960	425	—	136
1961	408	—	174
1962	451	192	179
1963	515	—	189
1964	593	—	240
1965	682	217	282
1966	753	—	314
1967	853	261	317
1968	941	—	362
1969	1,044	—	410
1970	1,118	270	515
1966-70:			
Average annual growth rate (%) ...	10.4	4.5	12.8
Total increase	436	53	233

458. Estimates of *employment* in manufacturing in Table 10-1 include full-time, part-time and unpaid family workers. Between 1962 and 1967 employment in the sector grew at 6.3% annually. During the First Malaysia Plan period, about 53,000 new jobs were created, with employment growing at an average annual rate of 4.5% as compared to 10.4% for net manufacturing output. Full-time paid employment grew more rapidly. Generally, employment grew about half as rapidly as net output.

* Data available only for Survey and bench-mark years.

† Defined as Standard International Trade Classification Sections 5 to 8, excluding tin, plus petroleum products and preserved fruits and other fruit preparations; re-exports of imported items are included.

459. Within the sector in West Malaysia there was marked variation in the performance among individual industries. Data from the 1963 and 1968 censuses of manufacturing show that the average annual rates of growth of value added ranged from 4% to 35%, while in a few industries net output even declined. The leading industries in terms of value added were food, wood products, off-estate processing (rubber, coconut and tea), chemicals and chemical products and non-metallic mineral products. These industries accounted for more than half of the total value added and about 44% of the total employment in the manufacturing sector. However, in terms of the *rate of growth* of output and employment, the textiles, basic metals, electrical and non-electrical machinery and assembly of motor vehicles industries grew two to three times as rapidly as the leading industries. Preliminary data from the Survey of Manufacturing Industries, 1969 show that in the establishments covered by the Survey value added grew by 28% and full-time employment by 14% in that year. There was marked growth in many industries, including off-estate processing, wood products as well as food industries. The high rates of output growth achieved in the new and relatively small industries in the categories of intermediate and capital goods, such as assembly of motor vehicles, primary iron and steel, boat-building and fertiliser, show that they are rapidly growing in importance in the manufacturing sector.

460. Malaysia's industrial growth during the 1960's was based essentially on the activities of private enterprise. Besides the existence of political and financial stability in the country and the availability of infrastructure facilities of various kinds, a major factor accounting for the rapid growth in manufacturing was a series of positive measures taken by the Government to encourage private investment in this sector. The most important of these was the Pioneer Industries Ordinance of 1958, which was subsequently replaced and improved upon by the Investment Incentives Act of 1968. Under this Act, exemption from company tax, relief from payroll tax, investment tax credit, accelerated depreciation allowances and export incentives have been granted to approved companies. In addition, tariff protection and exemption from import duty and surtax were granted to facilitate the establishment of new activities. The streamlining of the procedure for processing and approval of the applications for incentives was one of the important measures which resulted in a marked increase in late 1969 and 1970 in the number of firms granted pioneer and other incentives. Furthermore, useful information has been provided by pre-investment, project and regional studies undertaken by the Federal Industrial Development Authority (FIDA). Other measures include the provision of technical

and managerial advice to existing firms and overseas promotional campaigns to provide larger external markets for Malaysian products as well as to attract more foreign investment.

461. The Malaysian Industrial Development Finance Berhad (MIDF) and its subsidiary company, the Malaysian Industrial Estates Ltd. (MIEL), continued to play a vital role in providing loans to industrial ventures and in constructing factory buildings for sale and rental at reasonable prices and terms. At State level the progress made in developing existing and new industrial estates provided further impetus to the expansion of the manufacturing sector.

462. For *East Malaysia,* data in respect of the industrial origin of State GDP are only available for 1967-70. In *Sabah* value added in manufacturing grew at 3.6% per year from $18 million in 1967 to $20 million in 1970. It accounted for less than 3% of Sabah State GDP in 1970.

463. The 1968 Survey of Manufacturing Industries in Sabah, which covered firms producing about 70% of value added in the sector, shows some 2,800 people employed in manufacturing activities. Sawmills and plywood factories accounted for 25% of the value added and about 38% of the employment. Food processing was the second largest activity, accounting for about 18% of value added and 14% of employment. Motor vehicle repairing contributed more than 10% of output and employment in the sector. Most of the firms were relatively small. Of the 200 firms covered by the Survey about 120 accounted for one-sixth of the sales and about one-fourth of total employment. Exports of sawn timber and other wood products are increasing rapidly though log timber still constitutes the bulk of the exports from the timber industry.

464. In *Sarawak* value added in manufacturing increased at an average of 5.6% per year over the three years and by 1970 amounted to $80 million or 8.8% of the State GDP. Available data on the composition of manufacturing output in Sarawak show that petroleum products accounted for 40% of value added, but supplied only 7% of manufacturing jobs. Wood products generated some 30% of value added in manufacturing, while employing one-half of total manufacturing employment. About one-third of manufacturing establishments were engaged in food processing, but they provided only 5% of value added and 9% of the jobs. Over the period the growth in manufacturing output was due principally to the increased production of petroleum. Sarawak accounted for about 80% of Malaysian

exports of petroleum products but a large portion of these arose out of refining and processing of crude petroleum from Brunei. Exports of manufactured wood products constituted an important portion of Sarawak's manufactured exports.

465. About 62% of the *share capital of limited companies* operating in West Malaysia in 1969 was held by foreigners through foreign controlled companies, non-residents and West Malaysian branches of companies incorporated abroad. Among Malaysians, Chinese and Indians owned 23.7% and Malays and Malay interests only 1.5%. The remainder was owned by Federal and State Governments, nominee companies, other individuals and locally controlled companies. The large foreign share reflects to some extent the response by foreign investment to the Government policy of encouraging both foreign and domestic investment in the economic development of the country.

466. Firms under individual proprietorships and partnerships are mainly in the hands of Malaysians but the Malay share is substantially less than that of non-Malays. Though such firms comprise 86% of total manufacturing establishments, in terms of value added they account for only 27% and in terms of capital assets only 10%.

467. Progress was made in increasing *Malay participation* in the manufacturing sector. In terms of employment in the sector, Malays accounted for about 30% of the total in West Malaysia in 1970 as compared to 27% in 1962, and 19% in 1957. The rate of growth of Malay employment was more rapid than that of total employment in the sector. However, the Malay share of employment is still inadequate especially in the higher skill jobs and in managerial positions.

468. The measures to increase participation by Malays and other indigenous people in both the corporate and non-corporate areas of the manufacturing sector are discussed in a later Section of this Chapter.

III.—OBJECTIVES AND TARGETS UNDER THE SECOND MALAYSIA PLAN

469. The targets for the manufacturing sector in the Second Malaysia Plan are demanding as this sector will play a vital role in achieving the objectives of the New Economic Policy. The achievement of these targets requires new and dynamic policy measures. In this Section the principal targets are enumerated, followed by a discussion of the means by which these targets are to be realised.

470. *Output.* The growth of value added in manufacturing in West Malaysia averaged 10.4% per year during the First Malaysia Plan period. For the manufacturing sector to act as a major source of dynamism, growth must greatly exceed this performance. Under the Second Malaysia Plan, value added is targetted to grow by at least 12.5% per year from $1,118 million in 1970 to $2,014 million in 1975. This represents more than an 80% increase over the Plan period. In relation to the projected rate of growth of GDP, at least 27% of the increment of GDP will originate in the manufacturing sector compared to about 19% during the 1960's. As a result, value added in manufacturing as a proportion of GDP will rise from 13% in 1970 to 17% in 1975. It is estimated that over the Plan period a total investment of about $1,850 million will be required to obtain this output target. The Government will provide a total of $330 million for investment in manufacturing. Of this, $230 million represents financing of private sector investment (such as through PERNAS and MIDF) and $100 million publicly owned or joint venture enterprises through MARA and SEDC's.

471. This output target represents a 20% increase over the annual growth rate achieved under the First Malaysia Plan and constitutes more than a doubling of the increment of value added over the period as compared to 1966-70 (*see* Tables 10-1 and 10-2). This rapid increase is feasible. On the supply side no major difficulties are expected. As noted in Chapter VI, financial resources should be available to finance development in this sector. A possible bottleneck is the shortage of certain categories of manpower but this will be overcome by intensifying the training of Malaysian personnel as well as by using foreign expertise, especially at the executive and professional levels.

472. On the demand side, there are further prospects for import substitution in capital, intermediate and consumer goods. Imports of these goods still supply more than 45% of the domestic market. Areas in which industries may be established to cater for the domestic market include food products, metal and non-metallic products, electrical and non-electrical machinery and transport equipment. However, domestic demand alone will not be sufficient to absorb the output at the level projected in Table 10-2. With GNP projected to grow at 6.5% per year, domestic demand for such goods is expected to grow at 10% during the period. Therefore, exports will play a crucial role in achieving the output target for the sector.

TABLE 10-2

MANUFACTURING OUTPUT, EMPLOYMENT AND EXPORTS, WEST MALAYSIA, 1970-75

	1970 (preliminary)	*1975 (target)*	*Average annual growth rate (%)*	*Total increase*
Value added ($ million)	1,118	2,014	12.5	896
Employment (000)	270	378	7.0	108
Gross value of manufactured exports ($ million)†	515	1,036	15.0	521

473. *Exports.* The target rate of growth for gross value of exports is 15% as shown in Table 10-2. This represents an increase of more than 17% over the annual growth achieved during the First Malaysia Plan period. This target is considered to be a minimum. The achievement of this growth rate would mean that about 35% of the increment in the value of all exports over the Second Malaysia Plan period will be manufactured products, whereas in 1970 these accounted for about 10%. The value added component of gross exports must also rise significantly if the demand for manufactured products is to keep pace with the targetted increase in output. The structural changes to be generated under the Second Malaysia Plan are reflected in the substantial increase in the role of manufactured exports. The emphasis on growth of exports requires Malaysia to respond effectively to the challenges of the world market.

474. Industrial development in the *East Malaysian States* during the Plan period will be based largely on the processing of primary resources such as timber, petroleum and other minerals, and of agricultural products such as pepper, rubber, palm oil and coconuts. These industries will be mainly geared towards export markets. The expected rapid expansion of the fishing industry will facilitate the development of fish processing industries. Prospects exist for industries producing consumer goods for the domestic market.

475. An Industrial Potentiality Survey for Sabah, conducted by FIDA in 1970, revealed that there is considerable scope for the establishment of a wide range of industries processing timber, agricultural products and minerals as well as for the manufacture of selected consumer goods. For Sarawak, a similar study will be carried out.

† Defined as Standard International Trade Classification Sections 5 to 8, excluding tin, plus petroleum products and preserved fruits and other fruit preparations; re-exports of imported items are included.

476. The implementation of the industrial projects identified by these studies will considerably increase the value added in manufacturing in the two States and will also contribute to the realisation of the overall output targetted in the Plan.

477. Within the overall output target two other elements of the strategy are of importance from the point of view of the objectives of the Plan. These are the development of small-scale industries and the dispersal of industries to achieve more balanced geographic distribution of industrial activity.

478. An important area of attention in the manufacturing sector during the Plan period will be the promotion of *small-scale industries*. Such industries can play a particularly useful role in Malaysia's industrial development at the present time. Besides contributing to output growth in the sector, they can support and complement the activities of larger industries, particularly in supplying intermediate input requirements. They also facilitate the greater utilisation of domestic raw materials and contribute significantly to employment growth. New entrepreneurs, with limited finance and technical skill, can more easily gain entry into the industrial sector through such small-scale operations. Because of the relatively small demand they make on infrastructure facilities, such small-scale enterprises can be established in rural areas and thus help in the modernisation of the rural environment. They can also be a vehicle for the development of the traditional crafts and skills in the country. During the Plan period, a wide range of management, technical and financial assistance will be provided to encourage the development of small-scale industries and to integrate them into the modern industrial sector.

479. The establishment of *manufacturing activities in the less developed areas* of the country represents an important dimension of the industrialisation programme of the Plan. It is also an important part of the strategy to modernise the less developed areas in both East and West Malaysia and to foster the development of new growth centres and new townships. The Plan envisages that as new growth centres are identified and developed new industrial activities will be brought into these areas to facilitate their development. Opportunities for industrial projects will arise from the opening up of new areas, the development of infrastructure facilities and the integration of the less developed areas into the modern economic sectors.

480. The Government itself will actively promote the dispersal of new industrial activities by directly participating in the establishment of new enterprises and by providing special incentives and facilities for the location

of new economic ventures in such areas. The development of industries in new growth centres will diversify job opportunities in areas now dependent upon agricultural activities and facilitate greater participation by Malays and other indigenous people in the manufacturing sector and in other modern economic activities, thus speeding up the process of modernisation of the rural areas.

481. *Employment.* The manufacturing sector will play a key role in achieving the employment target of the Plan. The target envisages a 40% increase in employment in West Malaysian manufacturing, from 270,000 in 1970 to 378,000 by 1975. The 108,000 new jobs so created over the period represent about 22% of the 495,000 new jobs to be generated in West Malaysia under the Plan. The attainment of this target will require policies to bring about the adoption of techniques which use more labour and the establishment of labour-intensive industries, such as textiles, electronics and ship-building.

IV.—POLICIES AND MEASURES FOR ACHIEVING THE OBJECTIVES

482. The objectives outlined above will require the implementation of significant new policies and measures by the Government and the full co-operation of the private sector.

483. To obtain a growth rate of value added in manufacturing of 12.5% per year will require an estimated investment of over twice the amount attained under the First Malaysia Plan, or about $1,850 million. The realisation of this high level of investment is dependent upon a number of factors. Especially important are the growth of the economy, fiscal and monetary policies, development of infrastructure, administrative procedures, wage and material costs and general political and social stability. In all these respects, the Government will create a climate conducive to rapid growth in investment.

484. The Government, particularly through the Capital Investment Council (CIC), will also assist in the identification of manufacturing opportunities, undertake the promotion and development of viable projects so identified, improve and extend industrial incentives and further streamline the administrative procedures to expedite project implementation. Tariff protection will continue to be provided to infant industries to enable them to develop and meet foreign competition. The granting of tariff protection will take into account the labour intensity of the industry, use of domestic raw materials,

its location and the expected increase in efficiency. The Government will review and, where necessary, revise tariff policies and procedures with a view to promoting the early establishment of new industries.

485. The incentives provided under the Investment Incentives Act, 1968, will continue but will be modified to induce greater use of labour relative to capital. The abolition of the payroll tax in the 1971 Budget provides additional encouragement to use more labour. Finally, incentives will be provided to encourage in-service training and thereby facilitate increased employment and skill creation.

486. Apart from measures to increase domestic investment, the Government will encourage the inflow of more foreign investment. For this purpose it will establish investment promotion centres in selected countries. It will also enter into double taxation and investment guarantee agreements with more countries. Foreign investors enjoy the freedom to transfer capital and profits to Sterling Area countries while transfers to other countries are subject only to nominal control. This policy will continue.

487. Special attention will be given to the improvement of the export performance of Malaysian manufacturers. The Government will improve the export incentives under the Investment Incentives Act, 1968. In addition, a National Export Advisory Council, comprising members from the public and private sectors, has been set up to look into all aspects of improving export performance. Under consideration is the introduction of an export insurance scheme. Information on foreign markets, transportation costs and trade policies of foreign countries will be made available to Malaysian exporters. Free trade and export processing zones are being established in selected parts of Malaysia. Emphasis will be given to the continued improvement in the efficiency of production and in the quality of exports. These measures will enhance the ability of Malaysian manufacturers to compete in world markets.

488. To promote the establishment of industrial activities in the less developed areas of East and West Malaysia, a range of new measures will be initiated.

489. FIDA and MIDF will establish more offices outside Kuala Lumpur to undertake promotional activities in various regions and to provide other services required by investors. In addition, FIDA will work in close conjunction with the SEDC's in the establishment and management of new industrial estates in selected locations. The co-operation of FIDA in

this role will result in the industrial estates being more suitably designed for the needs of investors. Regional development plans now being prepared for a number of States will incorporate measures for the establishment of new growth centres and townships in these areas. The data and information provided in these regional masterplans will help identify specific opportunities for manufacturing and other activities in these centres and townships. The broad perspective of the long-range growth prospects of these regions provided by these masterplans will also be of considerable value to entrepreneurs and the Government in the promotion of industrial activities within these regions.

490. The branch offices of commercial banks are being encouraged to play a more active role in development activities in their regions. They are expected to provide more lending and advisory services to local investors, as well as to mobilise an increasing amount of local savings.

491. In addition to these measures, the Government will provide new incentives to encourage industries to locate their plants outside of the main urban centres. The structure of power, water and transportation rates is being reviewed to ensure that such rates will stimulate the location of industry in less developed areas. The provision of transportation and power facilities over the Plan period is also designed to facilitate the achievement of this objective. Also, the location of a prospective industry is now one of the factors in granting it approved status. The present one year extension of tax holiday for an activity located in a "development area" will be continued. To ensure that the lack of social services (e.g. housing, health centres and schools) does not impede the location of industry in the new regions, the Government will provide social infrastructure facilities in addition to physical infrastructure in these areas. An appropriate system of incentives will be devised to overcome some of the problems of costs, particularly those relating to power, water and transportation rates and the costs of housing and training, where the present incentives to investors do not adequately meet such costs in less developed areas.

492. Besides providing these incentives and facilities, the Government will also take an active part in promoting the establishment of manufacturing activities in smaller towns, new townships and selected growth areas. Public sector institutions, such as MARA and SEDC's, will endeavour to establish wholly-owned enterprises and joint ventures with private interests in a variety of manufacturing activities. These will include consumer goods items and intermediate products for other industries, as well as export products based on agricultural and other resources in these areas.

493. The Government will also implement a number of measures to foster the development of small-scale industries. These measures will include various forms of assistance such as credit facilities and technical consultancy services. For this purpose, a small-scale industry consultancy service will be established by the MIDF. Through public agencies such as MARA, SEDC's and FIDA, the Government will undertake the establishment of small industries in smaller towns and rural areas, and assist in the marketing of their products, bulk purchase of raw materials and in upgrading the technology and management of these industries.

494. A National Institute of Scientific and Industrial Research (NISIR) has been established within the Ministry of Technology, Research and Local Government. The main objective of NISIR is to facilitate industrial development through research. Special attention is to be given to research to adapt or modify processes and technologies to suit available resources and to find new uses for locally available raw materials. It will offer advice to industrial enterprises on the appropriate type of technology and industrial processes, including the choice of machinery and raw materials.

495. Proper standards in relation to commodities, processes and practices will be developed and promoted by the Standards Institution of Malaysia (SIM) to facilitate industrial efficiency and to promote public and industrial welfare, health and safety.

V.—CREATION OF A MALAY COMMERCIAL AND INDUSTRIAL COMMUNITY

496. Greater *participation by Malays and other indigenous people* in manufacturing and commercial activities is a fundamental objective of the Plan. Such participation applies to ownership and management as well as employment. The Government has set a target that within two decades at least 30% of the total commercial and industrial activities in all categories and scales of operation should have participation by Malays and other indigenous people in terms of ownership and management. The objective is to create over a period of time, a viable and thriving Malay industrial and commercial community which will operate on a par and in effective partnership with non-Malays in the modern sector. The manufacturing and commercial sectors are especially important in the achievement of this target. During the Second Malaysia Plan period, the objective is (i) to ensure that significant progress is made towards the achievement of this target, and (ii) to establish institutions and arrangements through which the identification of race with economic activity is progressively reduced. Emphasis is also

placed on accelerating the growth of employment of Malays and other indigenous people at all levels in manufacturing activities so as to reflect the multi-racial composition of the population.

497. The Government will implement a series of policy measures directed at the rapid creation of an effective Malay entrepreneurial class. Elements of such a policy will include:

(i) special measures to promote Malay entrepreneurship and ensure adequate supply of finance;

(ii) accelerated development of the necessary skills and attitudes among Malays and other indigenous people;

(iii) facilities and support for Malay and other indigenous traders and small businessmen to acquire or rent suitable and well-located premises;

(iv) wider and more active participation by the public sector;

(v) the design of measures to enlist the assistance of non-Malay and foreign-owned commercial and industrial establishments in providing to Malays and other indigenous people in-service training, technical and advisory services, co-operation in marketing and purchasing activities, and in the financing of new enterprises;

(vi) the application of policy instruments to foster balanced development in existing urban areas and new growth centres;

(vii) a new approach with specially designed and vigorously implemented policies to bring commercial and industrial activities and life within reach of the rural Malays and other indigenous people; and

(viii) comprehensive and intensive planning and research for the efficient design and implementation of commercial and industrial growth and policy.

498. *Entrepreneurship and business skills* take time to develop. Specific steps will be taken to cultivate the development of these skills. Education and training programmes will be designed to provide Malays and other indigenous people with basic knowledge of business management and administration. Opportunities in business and commerce will be identified for participation by Malays and other indigenous people and the requisite support of finance, technical assistance and other facilities will be provided. In a number of cases, the Government itself will initiate the setting up of enterprises and train Malays and other indigenous individuals to take them over in due course. Non-Malay and foreign enterprises will also be

encouraged to participate in the development of Malay and other indigenous executives, managers and entrepreneurs. Highlights of these measures are given below.

499. An important measure for facilitating entry of Malays and other indigenous people into the industrial sector is the provision of accelerated opportunities for technical, agriculture, vocational and business training. The MARA Vocational Schools, MARA Institute of Technology, the Ministry of Labour and Manpower and the National Productivity Centre will be training more Malays and other indigenous people for industry. These training programmes will be supplemented by on-the-job training programmes sponsored and supervised through the Ministry of Labour and Manpower and MARA. Further, as the Government exchange programme of personnel between the private and public sectors gets underway, it will enable more Malays and other indigenous people to gain management experience and to participate in industry. These programmes are elaborated in Chapters VII and XIV.

500. Existing institutions such as MARA, Bank Bumiputra and MIDF have been successful in achieving the objectives for which they were established. However, no institution exists which is charged with the comprehensive responsibility for encouraging and assisting Malays and other indigenous people in identifying, initiating, developing, implementing and managing ventures through the various stages of an enterprise. Under the Second Malaysia Plan, therefore, the Government is determined to ensure that these handicaps are overcome, and for this purpose the Government will establish a new development bank.

501. At the same time, facilities will be developed to increase Malay and other indigenous ownership of capital assets, particularly the equity capital of enterprises in the modern sectors of the economy. In the initial stage where such institutions as MARA, PERNAS and SEDC's take up equity shares in joint ventures with the private sector, such shares will eventually be transferred to individual ownership of Malays and other indigenous people. In this connection, their household savings will be mobilised and invested through unit trusts and other investment channels. To encourage shares bought by or allocated to them to remain within the community, the Government will promote the development of a stock exchange based on the trading operations initiated by the MARA Unit Trusts.

502. *Business premises and complexes.* In the Federal Capital, in State capitals and other major towns in which Malay and other indigenous traders are not equitably represented, the Government will identify areas

and earmark them for their use as commercial establishments. In so doing, the Government will avoid the creation of racially exclusive commercial areas. The establishment of the Urban Development Authority (UDA), to operate initially in the Kuala Lumpur area, will lead to significant advances being made in this regard. In carrying out its functions of urban renewal and development, the UDA will give priority consideration to the implementation of projects through which Malay and other indigenous businesses can operate in the main commercial areas. It will identify, acquire and develop suitable land for commercial buildings. It will also purchase or lease private commercial buildings as and when they become available. As the main body responsible for urban development it will co-ordinate the activities of MARA and SEDC's in undertaking urban commercial and housing projects and, with the co-operation of the State Governments, ensure that suitable State and reserve lands are released for commercial development, particularly for Malay and other indigenous business. The UDA will also provide such other assistance as is needed so that Malay and other indigenous businessmen can rent premises and make optimum use of the facilities.

503. In smaller towns and particularly in new growth centres, measures will be designed to ensure that Malay traders will benefit from the opportunities for commercial activities that are created as regional and industrial development proceeds. Such measures will include the reserving of shophouses and market stalls for these traders.

504. To facilitate the development of Malay entrepreneurship in *construction* activity, a construction corporation under PERNAS will be established. The main objective of PERNAS in forming this corporation is to provide the organisation and advisory services to ensure that Malay contractors become increasingly able to compete with non-Malays and foreign builders. Preferences for Malay and other indigenous contractors in Government construction will be extended to cover contract works of all values as a further means of bringing about racial balance in the construction industry.

505. In *mining* also new measures will be introduced to bring about a greater role for Malay and other indigenous ownership and management as well as employment. Attention will be given to increasing Malay participation in all forms of mining, including offshore mining. The Government's role will be concerned with explorations to locate areas, both inside and outside Malay Reserves, where tin ore exists and to provide technical and financial support to potential Malay and other indigenous entrepreneurs. This role will be performed in co-operation with State Governments.

506. *Public sector participation.* The Government will also initiate industrial and commercial ventures and enterprises through institutions such as MARA, PERNAS, UDA and SEDC's in both urban and rural areas. Such enterprises will be turned over to individual Malay and other indigenous ownership and management as soon as possible. Direct investment by the Government in industrial and commercial activities is intended to provide training and opportunities for learning by Malays and other indigenous people as well as to ensure that viable economic projects are made available to prospective entrepreneurs from this community. These activities by the Government will be carefully selected to ensure that they do not unnecessarily impede private sector development.

507. These are important steps in promoting a unified Malaysian society through the gradual elimination of the identification of race with economic function. While the measures outlined above are being implemented, a substantial research and planning effort will be undertaken and existing measures evaluated to strengthen programmes to promote greater participation by Malays and other indigenous people in commerce and industry. Care will be taken to ensure that such programmes and measures and their implementation will contribute to the overall growth of the economy. Such growth is important to ensure that all Malaysians obtain a fair share of the benefits of development.

508. The allocations in the Plan for commercial and industrial activities are shown at the end of Chapter XI.

CHAPTER XI

Commerce, Tourism, Mining and Construction

I.—INTRODUCTION

509. Commerce, which comprises wholesale and retail trade, banking, insurance and real estate, accounts for about 17% of GDP and about 12% of total employment. This is a sector in which modern large-scale enterprise plays an important role. At the same time, it has a large component made up of small-scale retailers, distributors and hawkers providing substantial employment but in many cases with low income levels. Total output of the sector has been increasing in the past few years at a pace faster than the growth of population.

510. The mining and construction sectors account for about 10% of the GDP and about 6% of total employment. The mining sector has been declining in importance in terms of its share in both the national product and employment. The future course of the industry depends on the results of current extensive explorations, both offshore and on-shore. Value added in the construction sector grew less rapidly than GDP during the First Malaysia Plan period, but the outlook for 1971-75 is that this sector will grow more rapidly in view of the higher levels of investment projected.

511. Future developments in these sectors, particularly in commerce and construction, are important in achieving the objectives of eradicating poverty and creating employment, and of restructuring society to correct economic imbalance. Commerce will receive special attention so that the patterns of ownership, management, employment and income shares will become important elements in promoting national unity.

II.—COMMERCE

512. This sector of the economy comprises activities which are relatively labour intensive, open to modernising influences and largely urban-centred. In all these respects, the sector has an important role in achieving the objectives of the Plan.

1. RECENT PROGRESS

513. During the decade of the 1960's value added by commerce in West Malaysia grew at an average annual rate of 5.7%, a rate slightly higher than that of GDP. Growth was markedly higher (6.4%) in 1961-65 than under the First Malaysia Plan (4.9%). Within the sector, the rate of growth of the wholesale and retail trade component averaged about 4% during the First Malaysia Plan period, while banking and finance grew over twice as rapidly. In 1970 employment in commerce was 340,000, about 12% of total employment. Employment increased at an average annual rate of 3.4% over the Plan period (*see* Table 11-1).

514. In East Malaysia, growth in this sector in the 1967-70 period averaged 11.6%, well above the 9% growth rate of the region's GDP. Employment in this sector probably grew at 8% to 9% per year.

515. Wholesale trade is characterised by a small number of large enterprises which account for a significant proportion of value added. Retail trade, however, is characterised by many small establishments which account for the larger share of employment. These latter establishments are small family businesses for the most part owned and managed by non-Malays. Malay participation is small. In the corporate enterprises, data for West Malaysia in 1969 show that Malay ownership of share capital was less than 1%, while other Malaysians owned 51.7% and foreign interests 47.6%. Malay participation was insignificant in wholesale trade and in banking and finance; foreigners held the dominant position in wholesale trade and more than half the share capital in banking and finance. Non-Malays accounted for about 40% of the share capital in banking and finance and about one-quarter in wholesale trade.

TABLE 11-1

OUTPUT AND EMPLOYMENT IN COMMERCE, WEST MALAYSIA, 1960-70

	Value added ($ million)	*Employment* (000)*
1960	813	—
1961	849	—
1962	889	—

* Data only for bench-mark years.

	Value added ($ million)	*Employment (000)*
1963	969	—
1964	1,033	—
1965	1,108	287
1966	1,175	—
1967	1,195	—
1968	1,272	—
1969	1,319	—
1970	1,409	340
1966-70:		
Average annual growth rate (%)	4.9	3.4
Total increase	301	53

2. OUTPUT AND EMPLOYMENT TARGETS, 1971-75

516. The growth of value added originating in commerce over the 1971-75 period will be in pace with the overall growth of the economy. West Malaysian GDP is projected to grow in current prices at an average annual rate of 6.9% and this is expected to induce a growth rate of 5.3% in commercial activities. At this rate, value added in this sector will reach $1,823 million in 1975, compared with $1,409 million in 1970. Employment is projected to grow at 4.3% per year, providing 79,000 new jobs during the period (*see* Table 11-2).

TABLE 11-2

OUTPUT AND EMPLOYMENT IN COMMERCE, WEST MALAYSIA, 1970-75

	1970	*1975*	*Average annual growth rate (%)*	*Total increase 1971-75*
Value added ($ million) ...	1,409	1,823	5.3	414
Employment (000) ...	340	419	4.3	79

517. In East Malaysia output and employment in commerce are expected to grow somewhat less rapidly than in 1968-70. Over the Second Malaysia Plan period, an average growth rate of about 10% per year is projected, with employment expanding at around 8% per year.

518. Commercial activity responds to the growth in other sectors rather than serving as a leading sector in the growth of the economy. Over the Second Malaysia Plan period no bottlenecks are expected on the supply side, as capacity can be quickly and easily created in this sector. Attention will be paid to ensuring that commercial services are available in all parts of the country. Policies to effect this are discussed in Section IV of Chapter X. In addition, commercial banks will be encouraged to be much more active as sources of industrial finance, including construction and mining as well as manufacturing, than they have been in the past. In this role banks will also help to identify and define viable projects, especially in rural areas, and to supply economic data to potential investors. Policies and measures to facilitate the development of a greater role for Malays and other indigenous people in this sector are discussed in Section V of Chapter X.

III.—TOURISM

519. Although at present tourism is not a big sector in the Malaysian economy, it is potentially significant in terms of meeting the objectives of development, particularly those of employment creation. Hence the Government will promote the development of tourism, both domestic as well as international.

1. RECENT PROGRESS

520. Travel by residents and foreign tourists in the country has been facilitated by the development and further improvement of road, rail, air and sea transport within Malaysia and by rising living standards. Movements by road have increased following the expansion of the road network and the growth in the number of vehicles. The road network in West Malaysia was extended by more than 14% between 1965 and 1970. Vehicle registrations increased by nearly 70% over the same period. Air travel grew at a rapid rate. The number of passengers embarking and disembarking at West Malaysian airports rose at an average annual rate of more than 16% during the First Malaysia Plan period. Another factor accounting for the increased travel was the rise in *per capita* income from about $917 in 1965 to $1,080 in 1970.

521. Travel by foreign tourists in Malaysia increased at high rates. The number of tourists arriving in West Malaysia by air and sea increased from 23,000 in 1961 to 77,000 in 1970, at an average annual growth rate of 14.4%. There were also significant numbers of tourists entering the country by car and rail from Singapore and Thailand.

522. There was a great deal of activity in the private sector in response to the demand for tourist facilities and in anticipation of further growth. Private sector activities were mainly in the construction of new hotels and in bringing the existing hotel facilities up to international standards. Investment in hotels increased substantially between 1965 and 1970, especially during the last two years of the First Malaysia Plan period. Rooms in hotels of international standard increased from 1,900 in 1965 to an estimated 6,000 in 1970. Employment in the principal hotels was about 2,700 in 1965 and reached 8,000 in 1970. The number of tour operators also increased.

523. The Government provided a stimulus to the tourist industry in mid-1969 by granting incentives for the building and upgrading of hotels. Approved hotels were given either pioneer status or an annual abatement of a specified percentage of chargeable income depending on their location. The Government also announced an "Open Sky" policy giving liberal landing rights to scheduled airlines as well as encouraging charter flights into the country. Early in 1971, the Government granted partial exemption of import tax on air-conditioned coaches as an incentive to local tour and transport operators.

2. DEVELOPMENT OF TOURISM

524. The tourist industry in Malaysia has great potential for further development. The means and facilities for travel by residents as well as foreigners will increase with the expansion of the economy and the creation of more tourist attractions. The rise in the standard of living will also contribute to the growth of tourism.

525. The growth in the number of international tourists visiting Malaysia will depend very largely on the increase in the volume of tourist traffic coming into the Pacific area. Estimates of tourist traffic into the South Pacific and Oceania areas show that there will be a substantial increase during the 1970's and 1980's. An additional stimulus to tourists coming into Malaysia will be provided by the Pacific Area Travel Association (PATA) Workshop and Conference, to be held in Malaysia in 1972.

It is estimated that by 1975 more than 170,000 tourists will be arriving by air and sea. This represents an average annual growth rate of 17% during the Second Malaysia Plan period, compared to 13.7% during 1966-70.

526. The rapid increase in the number of tourists coming into Malaysia will provide a strong incentive for the private sector to increase investment, not only in accommodation facilities but also in specific tourist projects. Particularly promising projects are in Perak (Maxwell Hill and Pangkor Island), Selangor (Mimaland in Kuala Lumpur), Pahang (Genting Highlands) and Johore (Scudai).

527. Public sector activities in tourism under the Second Malaysia Plan will complement those of the private sector. A number of projects will be undertaken. These include a motel in Trengganu (Rantau Abang, Dungun), facilities in Templer Park, tourist information centres in Port Swettenham and Kuala Lumpur, and further development of Batu Caves, Pulau Tioman (Pahang) and Bukit Nanas in Kuala Lumpur. Individual States will also implement a variety of projects with special emphasis on encouraging the growth of domestic and regional tourism.

528. The development of the tourist industry will demand an increasing number of qualified and skilled personnel, especially for hotels and restaurants. To meet this need, the Government will set up a school to train such personnel for restaurants and hotels.

3. POLICY ON TOURISM

529. The Government will take an active part in promoting the full development of the tourist industry. In particular it will encourage:

(i) the development of tourist sites and facilities in a circular itinerary within each State to encourage domestic tourists to spend longer periods in each State during their holidays;

(ii) the development of tourist sites and facilities along the highways for regional as well as domestic tourism;

(iii) the development of tourist sites and facilities in two big circular itineraries covering the northern and southern parts of West Malaysia with the object of encouraging regional and international tourists to travel by air or road along the "figure-of-eight" tour offerings; and

(iv) the development of air travel through Sabah and Sarawak and circular tours within each of these States for both domestic and international tourists.

530. The strategy for the development of the tourist industry is based on taking advantage of existing travel patterns by creating travel corridors along the more developed as well as developing areas of all the States in Malaysia. It aims to tap the flow of tourist traffic from Australia and New Zealand across Asia to Europe, and another flow from America across the Pacific to Japan and the Western Pacific Basin.

531. The Government will continue to study the potentials for the tourist industry and to promote the development of such potentials. It will also search for the most effective promotional strategy including the establishment of Overseas Tourist Promotion Offices. A newly established Tourist Corporation will give special emphasis to co-ordinating development not only within the public sector (between Federal and State Governments) but also between the public and the private sectors. The Corporation will engage in tourist enterprises, promote the development of private sector projects and may also participate in joint ventures, particularly to ensure balanced participation in the industry by all races. The Corporation is planned to be fully operational in 1972.

532. The further expansion of existing airports and Malaysia's own airline—Malaysia Airlines Berhad (MAL)—will provide the necessary links for international and regional tourists to visit Malaysia through Kota Kinabalu, the Eastern Gateway, and through Penang, the Western Gateway, by tapping tourist flows in the region, as well as providing essential air services to assist the growth of domestic tourism.

IV.—MINING

533. The principal mining activities are in tin, iron, bauxite and crude oil. Production of ilmenite and manganese ores is less important. In terms of value added, employment and foreign exchange earned, tin is the most important of the minerals.

1. RECENT PROGRESS

534. Value added in mining in West Malaysia amounted to $301 million in 1960 and to $556 million in 1970. In 1965 it reached a peak of $587 million which has not been attained since then. Production of tin-in-concentrates had shown an uninterrupted increase since 1959, reaching a post-war record level of 75,069 tons in 1968, after which it began to decline to 72,630 tons in 1970. During the First Malaysia Plan period, Malaysia produced an average of 72,200 tons of tin per year, as compared with an

average of about 60,000 tons per year during the previous Plan period. Iron ore production began a steady decline after 1965, from a level of 6.8 million tons in that year to 4.4 million tons in 1970. Bauxite production increased by 2.8% per year over the First Malaysia Plan period.

535. Employment in the mining sector reached a peak in 1967 when over 68,000 persons were engaged in various mining and quarrying activities. Of the latter figure over 58,000 were engaged in tin mining and 5,500 in iron ore. Although at that time less than 2.5% of the employed labour force was engaged in mining and only 7% of GDP originated in this sector, over 30% of the value of exports were mineral products. By mid-1970 employment amounted to 64,000, output was 6.5% of GDP and mineral exports constituted 29% of export earnings. During the latter part of the First Malaysia Plan period value added in the mining sector increased while employment declined.

536. *Tin.* Tin production increased from 63,670 tons in 1965 to a peak of 75,069 tons in 1968 and began to decline slightly thereafter. The high average annual production was, to a large extent, due to a sharp increase in the average price level beginning from 1964. In response to the higher price level, there was a net increase of 400 gravel-pump mines between 1964 and 1966. As a result, gravel pumps increased their share of production from 34.3% in 1960 to 55.2% in 1970, while dredges decreased their share from 53.9% to 32.4% over the same period. The declining importance of dredges was partly due to their working on less rich deposits.

537. During the last decade, the volume of tin exports fluctuated from year to year, with the lowest figure of 71,663 tons in 1964 and the highest figure of 91,000 tons in 1970. This fluctuation was due largely to the irregular movements of tin-in-concentrates from neighbouring countries into Malaysia for smelting and subsequent re-export. Imports of tin-in-concentrates from Thailand ceased as from 1966. On the other hand, imports of tin-in-concentrates from Indonesia into the country for smelting were resumed from 1968.

538. *Iron Ore.* During the decade, iron ore production reached a peak of 7.2 million tons in 1963 and declined to 4.4 million tons in 1970. In late 1970, two of the largest iron ore mines, at Rompin and Dungun, were closed. Foreign exchange earnings from iron ore exports fell to $106 million in 1970, the lowest since 1959. Employment dropped below 1,000 from a high of 9,700 in 1962 and over 5,500 in 1967.

539. *Bauxite.* During the last decade, bauxite production increased by one and a half times, from 451,958 tons in 1960 to a peak of 1,121,318 tons in 1970, despite the closure of the Simantan Mine in Sarawak due to exhaustion of reserves in 1966. The average annual growth rate of 5.9% during the 1966-70 period, however, was much lower than the 13.3% for the period 1961-65. Three mines were in operation in 1970. The big production increase was mainly due to expansion in the scale of operations by the West Malaysian mines during the latter half of the decade. Export volume and value followed the same pattern. Foreign exchange earnings from exports of bauxite exceeded $18 million in 1970, compared to about $11 million in 1961. Employment increased from 256 in 1963 to 630 in 1970.

TABLE 11-3

OUTPUT AND EMPLOYMENT IN MINING, 1960-70

	West Malaysia		*East Malaysia*
	Value added ($ million)	*Employment* (000)*	*Value added ($ million)*
1960	301	—	—
1961	371	—	—
1962	385	56	—
1963	415	—	—
1964	528	—	—
1965	587	66	—
1966	541	—	—
1967	520	68	10
1968	504	—	12
1969	530	—	21
1970	556	64	27
1966-70:			
Average annual growth rate (%)	-1.1	-0.6	—
Total increase	-31	-2	—

540. *Crude Petroleum.* All domestic production of crude oil at present takes place in East Malaysia. Production was somewhat less than 60,000

* Data available only for Survey and bench-mark years.

tons in 1960, declined gradually to 45,000 tons in 1967 and then increased rapidly to 433,000 tons in 1969 and 845,000 tons in 1970. The substantial increase was on account of the discovery and exploitation of an offshore field at West Lutong, Sarawak.

2. DEVELOPMENT OF THE MINING SECTOR

541. During the Second Malaysia Plan period, the general trends of the recent past will continue. Production of tin and iron ore will decline. Tin output is expected to be about 70,000 tons by 1975. Iron ore production is projected at about 1.4 million tons in 1975. However, output of crude oil may increase substantially, if new fields are found in the early part of the Plan period.

542. Exploitation of tin deposits in offshore areas and in Malay Reserves is not expected to make a significant contribution in offsetting the decline in output during the period, although it may make a greater contribution after 1975.

543. The level of tin production will also, to a significant extent, depend on the prevalence of fair and stable prices during this period. The Government will continue to participate in the International Tin Agreement, through which international action can be taken to stabilise tin prices at remunerative levels. The Fourth International Tin Agreement will come into effect on 1st July, 1971, following the expiry of the present Agreement. The Agreement will ensure stability in the tin price within an agreed price range by means of two stablisation techniques, i.e., buffer stock operation and export control. With the operation of the Agreement, Malaysian miners are assured of at least a minimum price level, as reflected in the floor price fixed under the Agreement. Miners can thus plan their investment programmes with a greater degree of certainty, which in turn will contribute to an orderly development of the tin mining industry in the country.

544. Employment in mining, estimated at 64,000 in 1970, is expected to decline to about 60,000 by the end of the Plan period. This reduction is partly due to the closure of iron mines.

545. The contribution of the mining sector to GDP in West Malaysia is expected to fall from $556 million in 1970 to $484 million in 1975, a decline of about 13%. Despite the projected decline in output and employment,

private investment of about $300 million in West Malaysia is expected to take place in connection with the opening of new mines, offshore explorations, prospecting and surveys.

546. The new copper mine in Sabah is expected to come into production in the second half of the Plan period, while possibilities also exist for discovering and exploiting coal, lead, zinc and nickel deposits towards the end of the period. The Federal Government, in conjunction with the State Governments, will take all measures necessary to encourage more complete and thorough exploration of mineral resources.

547. The prospects for the petroleum industry appear to be encouraging. During 1970, the five oil companies which were awarded rights to prospect for oil in the continental shelf areas off the coast of Sabah and Sarawak intensified their exploration activities. Explorations in the two offshore concessions on the East Coast of West Malaysia have also commenced. In addition, an oil company was awarded rights for explorations on the continental shelf in the Straits of Malacca in January 1971. Other companies have also indicated interest in exploring this area.

548. The mining industry, as is the case with other industries, has insignificant Malay ownership. Of the share capital in limited companies in tin mining in 1969, only 2.4% was owned by Malays, 33.5% by other Malaysian interests and 64.1% by foreigners. In other mining, more than 70% of the share capital was owned by foreign interests.

549. In terms of employment, only 21.4% of the persons employed in mining in 1967 were Malays, while Chinese and Indians accounted for 67.2% and 10.3%, respectively.

550. Employment in iron mining, a relatively less important industry, is largely Malay. Within the tin mining industry, about one-half of the employment in dredging operations was Malay, while in gravel-pump mining Chinese labour predominated.

551. Measures to promote participation by Malays and other indigenous people in the mining sector are discussed in Section V of Chapter X, dealing with the creation of a Malay commercial and industrial community.

V.—CONSTRUCTION

552. Construction is a key sector because of its direct involvement in fixed capital formation. It serves every other sector in the economy through creating fixed assets as a basis for generating output, income and employment.

553. Construction includes residential and non-residential buildings as well as engineering construction works in roads, bridges and irrigation canals. It also includes repair and installation works.

1. RECENT PROGRESS

554. Value added in construction in West Malaysia increased at an average annual rate of 8.2% from 1960 to 1970. The growth rate was much higher in the first half of the decade, when value added increased at an average annual rate of 12.5%. During the First Malaysia Plan period, value added in the sector increased at a rate of 4.1% as against the projected growth rate of 8%. The share of construction in GDP remained stable at about 4% during 1966-70. The slower rate of growth in value added was the result of the general slowdown in investment in the First Malaysia Plan relative to that in the preceding period. Particularly relevant was the postponement or delay of construction projects in the public sector, for example, in the road and school building programmes.

555. Employment estimates for the sector for 1962, 1965, 1967 and 1970 are shown in Table 11-4. The rate of growth of employment in West Malaysia averaged about 2.7% per year during 1966-70. This low rate was due to the falling rate of growth of value added, which in turn was due to a decline in the growth of investment. The Table also presents data for East Malaysia. These estimates show that investment in construction grew from $128 million in 1967 to $173 million in 1970, while value added increased from $54 million to $71 million during the same period.

TABLE 11-4

INVESTMENT, OUTPUT AND EMPLOYMENT IN CONSTRUCTION, 1960-70

	West Malaysia			*East Malaysia**	
	Investment in building and construction ($ million)	*Value added ($ million)*	*Employment† (000)*	*Investment in building and construction ($ million)*	*Value added ($ million)*
1960	291	149	—	—	—
1961	351	173	—	—	—
1962	465	214	82	—	—
1963	530	236	—	—	—

* Data available only for period 1967-70.

† Data available only for Survey and bench-mark years.

TABLE 11-4—(*cont.*)

INVESTMENT, OUTPUT AND EMPLOYMENT IN CONSTRUCTION, 1960-70

	West Malaysia			*East Malaysia*	
	Investment in building and construction ($ million)	*Value added ($ million)*	*Employment (000)*	*Investment in building and construction ($ million)*	*Value added ($ million)*
1964	543	250	—	—	—
1965	592	269	90	—	—
1966	593	274	—	—	—
1967	662	289	95	128	54
1968	708	308	—	136	61
1969	728	318	—	166	76
1970	755	329	103	173	71
1966-70:					
Average annual growth rate (%) ..	5.0	4.1	2.7	10.6‡	9.6‡
Total increase	163	60	13	—	—

2. DEVELOPMENT OF THE CONSTRUCTION SECTOR

556. Construction is a highly labour-intensive activity. It also makes much greater use of domestic raw materials than most other investment activities. During the 1960's about 70% of its raw material inputs originated from domestic sources. There is considerable scope for the expansion of the industry to carry out housing and other building projects in all parts of Malaysia during the Second Malaysia Plan period.

557. The projection of construction activities for the Second Malaysia Plan period is determined largely by the total investment targets set out in earlier Chapters. On this basis, the projected rate of growth in the construction industry of West Malaysia is 8.6% for investment and 9.3% for value added. The latter rate is higher than that for GDP, so that the share of construction in West Malaysia GDP will be rising over the Plan period. These projections are shown in Table 11-5.

‡ 1968-70.

TABLE 11-5

INVESTMENT, OUTPUT AND EMPLOYMENT IN CONSTRUCTION, 1970-75

	1970 (preliminary)	*1975 (target)*	*Average annual growth rate (%)*
MALAYSIA—			
Investment in building and construction ($ million)	928	1,423	8.9
Value added ($ million)	400	626	9.4
WEST MALAYSIA—			
Investment in building and construction ($ million)	755	1,140	8.6
Value added ($ million)	329	513	9.3
Employment (000)	103	133	5.2
EAST MALAYSIA—			
Investment in building and construction ($ million)	173	283	10.3
Value added ($ million)	71	113	9.7

558. The projections for East Malaysia are similarly derived. The projected rates of growth shown in Table 11-5 for East Malaysia are higher than those for West Malaysia. For Malaysia, investment in construction is projected to grow at 8.9% per year and value added at 9.4% per year during the Plan period.

3. POLICIES FOR CONSTRUCTION

559. A variety of new measures will be introduced to accelerate construction activities of all kinds. As residential construction constitutes an important segment of the sector, steps will be taken to provide more effective financing for private dwellings by tapping the considerable savings in the private sector and to ensure that appropriate techniques, particularly those benefitting employment, will be used.

560. During the Second Malaysia Plan period, the Government will undertake a large programme of public housing and implement a scheme of home ownership for all categories of civil servants. The expanded public sector programme will also result in increased expenditure for the construction of public buildings, roads, ports and other civil works. The construction programme will contribute towards the objective of eradicating poverty by raising income levels and providing greater employment opportunities.

561. The Government will also encourage commercial banks to be more active in lending for industrial purposes and in the mortgage market. MIEL will continue its policy of building factories on industrial estates for sale and rental to private interests.

562. Over the period 1957-67, the Malay share of total employment in the construction industry declined from about one-third to about one-quarter, where it is estimated to have remained in 1970.

563. Most Malay building contractors operate on a relatively small-scale. The Government has instituted various measures to promote greater Malay participation in this sector. For instance, contracts for repair and maintenance work of less than $10,000 are normally reserved for Malays. However, the value of contract works undertaken by Malay contractors is still very small compared to that carried out by non-Malays and foreigners. Measures to increase the participation of Malays and other indigenous people in construction are discussed in Chapter X.

VI.—PUBLIC SECTOR ALLOCATIONS FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT

564. The greatly increased role of the public sector in industrial and commercial development is shown by the fact that allocations for projects in these sectors amount to $584 million for the Second Malaysia Plan compared to $142 million expended during the First Malaysia Plan. It is envisaged that these public sector outlays will lead to much larger expenditure programmes through the attraction and participation of private sector capital, including Malay capital, in the development of these sectors.

565. Full details of public sector allocations for industrial and commercial development are shown in Table 11-6. The agencies responsible for carrying out this development are discussed below together with some of the major aspects of their programmes:

(i) *MARA* was established in 1966 to promote and encourage greater participation by Malays and other indigenous people in commercial and industrial enterprises. The Industry and Commerce Division of MARA will, in the Second Malaysia Plan, give top priority to direct participation in selected industrial and commercial undertakings. New projects to be undertaken during the Plan period include tapioca processing, fruit canning, timber processing plants, an integrated coconut complex and fish meal and fish oil plants. Joint venture projects include the construction of a first class hotel and a pulp and paper factory. To carry out its industrial and commercial projects, $73 million is allocated to MARA. This allocation includes the provision to the MARA Unit Trusts Ltd. to enable it to play an expanded role. It will, in particular, mobilise household savings of Malays and other indigenous people for investment in the share capital of companies. The training programme of MARA, described in Chapter XIV, is also of great importance in the task

of creating a commercial and industrial community among Malays and other indigenous people. Allocations for MARA's training and other programmes amount to $85 million.

(ii) *PERNAS* was set up as a private limited company to speed up the entry of Malays and other indigenous people into modern sector activities. In addition to the construction corporation that PERNAS will establish, as noted in Chapter X, it will engage in a wide variety of other industrial and commercial activities. These include projects in timber, mining, chemicals and wholesale and retail trade. Many of PERNAS's investments are undertaken on a joint venture basis to ensure their success as well as more effective participation by Malays and other indigenous people. The Government allocation to PERNAS under the Second Malaysia Plan amounts to $100 million.

(iii) The *Urban Development Authority* (UDA), described in paragraph 502, is allocated $100 million for the Plan period. It will also obtain funds from commercial banks and other private sources to carry out its functions of urban renewal and development along the lines necessary to ensure an increasingly significant role for Malays and other indigenous people in urban based activities.

(iv) *MIDF* is a private company organised to support manufacturing development in the country. As already noted, its activities will be expanded to include special attention to small-scale industries and to the location of industries in less developed areas. The Government allocation to MIDF amounts to $100 million.

(v) An allocation of $45.6 million has been made to SEDC's. These funds are to be used for a wide range of activities including housing, manufacturing enterprises, commercial activities and the establishment of industrial estates.

(vi) *FIDA, NISIR, NPC* and *SIM* are other agencies which will play an important role in achieving the Plan objectives. Their activities include the carrying out of feasibility studies, research on industrial technology and organising of training programmes, all of which will contribute to the promotion of commercial and industrial development, particularly the creation of a Malay commercial and industrial community.

(vii) The allocation also includes Government participation in economic enterprises such as the Malaysian International Shipping Corporation, the Malaysian Rubber Development Corporation, Malayan Banking and Malaysia Batek and Handicrafts.

TABLE 11-6

PUBLIC DEVELOPMENT EXPENDITURE FOR COMMERCE, INDUSTRY AND TOURISM, 1966-75

($ million)

	Estimated Expenditure, 1966-70				*Allocation, 1971-75*			
	West Malaysia	*Sabah*	*Sarawak*	*Total*	*West Malaysia*	*Sabah*	*Sarawak*	*Total*
PERNAS	10.0	—	—	10.0	100.0	—	—	100.0
MARA	50.9	—	—	50.9	73.0	—	—	73.0
SEDC's	—	—	—	—	45.6	—	—	45.6
Industrial estates	19.3	1.9	2.4	23.6	4.4	12.8	6.3	23.5
UDA	—	—	—	—	100.0	—	—	100.0
MIDF	16.0	—	—	16.0	100.0	—	—	100.0
Malaysian Rubber Development Corporation	2.6	—	—	2.6	35.0	—	—	35.0
Malaysian International Shipping Corporation	10.1	—	—	10.1	46.0	—	—	46.0

TABLE 11-6—(*cont.*)

PUBLIC DEVELOPMENT EXPENDITURE FOR COMMERCE, INDUSTRY AND TOURISM, 1966-75

($ million)

	Estimated Expenditure, 1966-70				*Allocation, 1971-75*			
	West Malaysia	*Sabah*	*Sarawak*	*Total*	*West Malaysia*	*Sabah*	*Sarawak*	*Total*
Participation in other economic enterprises:								
(*a*) Sharikat Malaysia Explosives	0.8	—	—	0.8	2.7			
(*b*) National Pineapple Canneries	2.0	—	—	2.0	7.0			
(*c*) Malayawata	4.5	—	—	4.5	—	—	—	45.0
(*d*) Malayan Banking	—	—	—	—	33.7			
(*e*) Malaysia Batek and Handicrafts	—	—	—	—	1.6			
(*f*) Development bank (new) ..	—	—	—	—	(10)*			(10)*
Tourism	0.4	—	—	0.4	10.0	—	—	10.0
NISIR, SIM, NPC	0.3	—	—	0.3	5.5	—	—	5.5
FIDA	3.4	—	—	3.4	(10)*	—	—	(10)*
Others	16.7	—	—	16.7	—	—	—	—
Mines Department and Geological Survey	0.4	0.3	—	0.7	0.5	0.2	—	0.7
Total ..	137.4	2.2	2.4	142.0	565.0	13.0	6.3	584.3

* Token provision, pending formulation of projects.

CHAPTER XII

Transport and Communications

I.—INTRODUCTION

566. Transport and communications are vital for social and economic development. Effective transport and communications provide accessibility to new development areas, improve the integration of all regions, facilitate better public administration and enhance the internal security of the nation. In West Malaysia, the basic systems of transport and communications are generally well established. However, present facilities will need further expansion and improvement under the Second Malaysia Plan to meet the growing demands generated by the development of the various sectors of the economy and by population growth. In East Malaysia, the transport and communications networks are relatively less developed and less widespread. Further expansion of the network and improvements to existing facilities will be carried out under the Second Malaysia Plan.

II.—REVIEW OF PROGRESS, 1966-70

567. Total public development expenditure in the fields of transport and communications under the First Malaysia Plan amounted to $747.9 million as compared to the Plan allocation of $751.5 million (*see* Table 12-1). However, during the Mid-Term Review the Plan target was revised upward to $942.6 million. Notable increases in Plan allocation occurred in roads, railways, civil aviation and telecommunications. The overall shortfall is about 20.7% against the revised allocation but when compared to the original Plan allocation the shortfall is only 0.5%. The shortfall on the revised target was due mainly to a shortage in implementation capacity, inadequate project preparation, particularly in respect of big projects requiring pre-investment studies, and also to a deliberate slowdown in project implementation, pending the results of the General Transport Survey undertaken between September, 1967 and July, 1968.

568. The Malayan Railway development programme was substantially increased during the Mid-Term Review. This increase was largely to accelerate the dieselisation programme of the Railway as recommended by the General Transport Survey.

569. The expenditure for civil aviation in West Malaysia substantially exceeded the Plan allocation of $9 million. The revised target of $48.5 million was found necessary because of the inclusion of a number of new projects not envisaged in the First Malaysia Plan. These included greater equity participation in the Malaysia Singapore Airlines by the Government. the expansion of Penang airport, the construction of an aircraft hangar at the Kuala Lumpur International Airport and improvements to radio and navigational aids at major airports.

570. In East Malaysia, the implementation of the road development programme proceeded quite smoothly with no serious capacity constraint encountered. Plan provisions were increased for Sabah in the Mid-Term Review to finance the East-West Highway, which is a new road project linking Sandakan and Kota Kinabalu. Financial and technical assistance is being provided by the Australian Government for a significant portion of the cost of this project.

TABLE 12-1

PUBLIC DEVELOPMENT EXPENDITURE FOR TRANSPORT AND COMMUNICATIONS, 1966-70

($ million)

	Original Plan llocation 1966-70	*Actual expenditure 1966-70*	*Achievement (%)*
	MALAYSIA		
Total	*751.5*	*747.9*	*99.5*
Transport	*546.0*	*544.9*	*99.8*
Roads	369.8	309.3	83.6
Railways	21.3	50.9	239.0
Ports and Marine	113.7	93.0	81.8
Civil Aviation	21.5	61.1	284.2
Plant and Equipment	19.7	30.6	155.3
Communications	*205.5*	*203.0*	*98.8*
Telecommunications	142.5	146.2	102.6
Postal	9.6	4.6	47.9
Broadcasting	53.1	51.0	96.0
Meteorological	0.3	1.2	400.0

TABLE 12-1—(*cont.*)

PUBLIC DEVELOPMENT EXPENDITURE FOR TRANSPORT AND COMMUNICATIONS, 1966-70

($ million)

	Original Plan allocation 1966-70	*Actual expenditure 1966-70*	*Achievement (%)*
	WEST MALAYSIA		
Total	*521.9*	*515.4*	*98.8*
Transport	*365.3*	*355.9*	*97.4*
Roads	245.5	161.3	65.7
Railway	20.0	47.0	235.0
Ports and Marine	80.8	82.9	102.6
Civil Aviation	9.0	40.3	447.8
Plant and Equipment	10.0	24.4	244.0
Communications	*156.6*	*159.5*	*101.8*
Telecommunications	105.0	118.7	113.0
Postal	9.0	4.4	48.9
Broadcasting	42.3	35.2	83.2
Meteorological	0.3	1.2	400.0
	SABAH		
Total	*94.4*	*133.6*	*141.5*
Transport	*68.8*	*108.5*	*157.7*
Roads	49.5	79.8	161.2
Railway	1.3	3.9	300.0
Ports and Marine	7.3	5.8	79.5
Civil Aviation	6.0	14.3	238.3
Plant and Equipment	4.7	4.7	101.9
Communications	*25.6*	*25.1*	*98.0*
Telecommunications	19.0	13.8	72.6
Postal	0.6	0.1	16.7
Broadcasting	6.0	11.2	186.7
	SARAWAK		
Total	*135.2*	*98.9*	*73.2*
Transport	*111.9*	*80.9*	*71.9*
Roads	74.8	68.2	91.2
Ports and Marine	25.6	4.3	16.8
Civil Aviation	6.5	6.5	100.0
Plant and Equipment	5.0	1.5	30.0
Communications	*23.3*	*18.4*	*79.0*
Telecommunications	18.5	13.7	74.1
Postal	*	0.1	—
Broadcasting	4.8	4.6	95.8

* Allocation for Postal Services in Sarawak was included under Telecommunications.

571. Implementation of port development projects for Sabah and Sarawak was somewhat slowed down as a result of delays and difficulties encountered in obtaining foreign assistance to carry out the necessary investigations. In the case of Kuching port, the pre-investment studies and detailed design work were only completed in 1970. Construction will be carried out during the Second Malaysia Plan period. With regard to Sibu, Sandakan and Kota Kinabalu ports, the detailed feasibility studies have already been completed and subsequent work on these projects, including design and construction, will take place early in the Second Malaysia Plan period.

572. With regard to telecommunications, the Plan target was revised upward during the Mid-Term Review by almost 22% of the original allocation. This was the result of increased allocation for the expansion of subscribers' network and external services. The major difficulties encountered in the early part of the Plan period included delays in the conclusion of foreign financing agreements and staff shortages in the Telecommunications and Public Works Departments. However, during the latter part of the Plan period these shortcomings were significantly rectified. While the original target was exceeded, there was a shortfall of 15.5% in terms of the revised target.

573. For the development of postal services, the First Malaysia Plan envisaged an expenditure of $9.6 million, of which $2 million were for the Postal Headquarters/General Post Office, Kuala Lumpur, and $875,000 for the General Post Office, Ipoh. In the case of the former, the proposal was to modify the Federal House building, but this project could not be undertaken because Ministries and Departments occupying the Federal House could not find alternative accommodations elsewhere. The remaining shortfall was due mainly to inability to secure suitable sites for post office buildings.

574. The road network in West Malaysia, which comprises Federal, State and Municipal roads, increased by 14% from 9,500 in 1965 to 10,832 miles in 1970. During the First Malaysia Plan period, 1,460 miles or 47% of the Federal road network were improved. The number of vehicles increased by more than 69% from 395,100 in 1965 to 669,100 in 1970. This represents an annual increase of 11.1%. There are now about 14 persons per motor vehicle in West Malaysia, whereas in 1965 the corresponding figure was 20. Increases in vehicle registrations by category are shown in Table 12-2. Public passenger transport vehicles (buses and taxis) increased during the period by 3,700 whereas goods vehicles increased by 13,900. These increases

in commercial vehicles are estimated to have generated some 17,600 new employment opportunities in the transport and related industries. About $40 million have been invested in West Malaysia for the establishment of motor vehicle assembly plants, offering some 2,200 job opportunities for Malaysian workers.

575. The high rate of increase in the number of motor cycles and buses reflects the growing mobility and income of the population.

TABLE 12-2

VEHICLE REGISTRATIONS, WEST MALAYSIA, 1965-70

(000)

	1965	*1970*	*Average annual growth rate (%)*
Private motor cycles	175.8	350.0	14.8
Private motor cars	154.3	231.5	8.5
Taxis and hire cars	5.2	6.8	5.5
Buses	3.8	5.9	9.2
Lorries and vans	41.9	55.8	5.9
Other vehicles	14.1	19.1	6.3
Total ...	395.1	669.1	11.1

576. In 1965 the Malayan Railway carried 2.8 million tons of goods traffic, excluding iron ore. This traffic rose to 3.3 million tons by 1970, representing an increase of 18%. However, rail traffic has been rising quite rapidly in terms of net ton-miles, reflecting the trend towards longer hauls. Thus net ton-miles increased by about 26% from 587 million in 1965 to 740 million ton-miles in 1970. However, the Railway has continued to lose its passenger traffic as a result of competition from road and air transport.

577. The number of terminal passengers embarking and disembarking at West Malaysian airports grew at an average annual rate of 16.4% during the period. The largest increase occurred at the Kuala Lumpur airport, followed by Penang, Ipoh, Kuantan and Kota Bharu (*see* Table 12-3).

TABLE 12-3

PASSENGER TRAFFIC AT WEST MALAYSIAN AIRPORTS, 1965-70

(000)

Airport	*1965*	*1970*	*Average annual growth rate (%)*
Kuala Lumpur	211.3	513.0	19.4
Penang	90.1	198.7	17.1
Ipoh	30.0	46.1	9.0
Kota Bharu	25.5	30.6	3.7
Malacca	16.8	15.5	−1.6
Alor Star	4.4	4.4	—
Kuantan	3.0	3.9	5.4
Others	1.7	5.8	27.8
Total ...	382.8	818.0	16.4

578. Port Swettenham has for many years been increasing in importance as a gateway for goods traffic into and out of the eastern and central regions of West Malaysia. Traffic through the port, excluding petroleum products and iron ore, expanded from 2.1 million tons in 1965 to 3.9 million tons in 1970, an increase of approximately 86%. Under the First Malaysia Plan two berths with a total length of 1,160 feet were reconstructed at the South Port, thus providing additional capacity for the handling of bulk liquid cargo. A feasibility study for the construction of 2,800 feet of additional berths at the North Port was completed in 1968. Construction work on the project started in mid-1969.

579. Traffic through Penang port, excluding petroleum products and iron ore, increased from 2.1 million tons in 1965 to 2.6 million tons in 1970, an increase of 24%. Under the First Malaysia Plan, Penang port was expanded by the construction of five additional wharves at Butterworth. These wharves, designed to cater for both conventional and feeder container ships, have a handling capacity of one million tons a year. These facilities serve the growing industrial area of Prai/Butterworth, whose pace of development is expected to accelerate with the completion of the East-West Highway.

580. The Malaysian International Shipping Corporation (MISC), which has been designated as the national shipping line, was formed in late 1968 with 30% Government equity participation* in the paid-up capital of $7 million. The MISC, which is being run on a commercial basis, purchased two second-hand steamers in the latter part of 1969 and has also ordered ten newbuildings comprising six cargo liners, two woodchip carriers, a bulk carrier and an ore/oil combination carrier. In addition, the MISC will be operating, on charter from the Government, the two new cargo liners acquired under the Japanese goodwill payment. Of the total twelve new-buildings the national shipping line has already taken delivery of three vessels and these are in service on the Far East-Europe run.

581. The demand for telephone services has been increasing steadily over the last five years. The largest single investment in telecommunications was the expansion of subscribers' network, for which a target of 100,000 direct exchange lines was set, involving $34.6 million or 33% of the development expenditure for telecommunications. Delays in loan negotiations prevented the full implementation of this programme. However, 56,000 new direct exchange lines were installed during the five year period, making a total of 85,328 direct exchange lines available in West Malaysia. In spite of a crash programme introduced in 1967 in order to clear long standing requests for direct exchange lines, the number of applicants on the waiting list could not be reduced appreciably due to an unexpected upsurge in demand towards the end of the Plan period.

582. Because of the priority given to the establishment of international telephone, telegraph and telex systems, capacity on external services was increased substantially. The Southeast Asia Commonwealth (SEACOM) cable link was completed in 1967 in partnership with other Commonwealth countries and, for the first time, high quality semi-automatic communication services were made available from Malaysia to Europe, North America, Japan, Australia, New Zealand and Hong Kong. The SEACOM cable also links West Malaysia to Sabah thereby improving the facilities between these two parts of the country.

583. In April 1970, Malaysia's satellite earth station at Kuantan was commissioned for service with the global satellite communication system. This made possible the reception and transmission of international television in Malaysia and also ensured that the capacity of Malaysia's international services could be expanded to meet growing demands. In addition, a 48-

* This allocation is shown in Table 11-6 in Chapter XI.

channel tropo-scatter system was installed in October 1970, thus improving telecommunications facilities between West Malaysia and Sarawak.

584. Under the First Malaysia Plan, several radio broadcasting projects were completed. These included the construction of transmitting stations at Kuantan, Ipoh and Kuala Trengganu, the construction of a central monitoring station at Klang and the expansion of school and overseas broadcasting services. With the completion of these projects, regional broadcasts were introduced in Penang, Ipoh, Malacca, Johore Bahru and Kota Bharu. The frequency of broadcasts to schools increased from 816 hours in 1966 to 1,200 hours in 1970.

585. Television services were introduced in West Malaysia in late 1963. These services are transmitted throughout the West Coast region from nine existing stations. A pilot service has also been extended to the Kota Bharu and Kuantan regions. A second network was introduced in late 1969, resulting in a substantial increase in programme commitments. Four television studios are now in operation, producing local programmes. It is estimated that at least 70% of the population in West Malaysia is able to receive clear television and radio broadcasts.

586. During the First Malaysia Plan period, 31 new post offices were built, 158 postal agencies were established, 18 mobile post offices were introduced and two general post offices and divisional headquarters were replaced. Thus by the end of 1970 there were 242 post offices, 660 postal agencies and 72 mobile postal units in West Malaysia. The number of articles handled increased from 409 million in 1965 to 522 million in 1970, an increase of 27.6%.

587. The road network in East Malaysia expanded from 1,740 miles in 1965 to 2,673 miles in 1970, an increase of 53.6%. In Sabah 462 miles were added to the existing road network during the First Malaysia Plan period, while in Sarawak 471 miles were constructed during the period. The number of vehicles in Sabah increased from 18,400 in 1965 to about 37,000 in 1970, a rise of 101%, and in Sarawak from 17,200 in 1965 to about 39,300 in 1970, an increase of 128%.

588. Goods traffic on the Sabah State Railway expanded from 57,600 tons in 1965 to 84,000 tons in 1970, an increase of 46%. Passenger traffic has declined steadily over the five-year period, as a result of competition from other modes of transport. However, the lack of a road connection between the West Coast and the interior Pegalan Valley has made it necessary for the Railway to continue to operate between these two areas.

589. Passenger traffic through all East Malaysian airports increased substantially, at an annual rate of 19.1% per year. The largest increase occurred at Sandakan, followed by Kota Kinabalu, Kuching and Sibu.

590. Traffic through East Malaysian ports increased at an annual rate of 8.5% per year during the First Malaysia Plan period. These increases occurred at Kota Kinabalu, Sandakan, Kuching and Sibu, the four major ports in East Malaysia.

III.—PROGRAMMES UNDER THE SECOND MALAYSIA PLAN

1. WEST MALAYSIA

591. *Objectives.* The availability of cheap and efficient transport is essential for economic development. The development of the transport sector under the Second Malaysia Plan will follow a systems approach, the primary objective of which is to ensure an efficient transport system through co-ordinated planning of the various modes of transport. The transport sector will also play a leading role in the implementation of the New Economic Policy by opening up new areas for land development and in attracting industrial and commercial activities to less developed regions of the country. To accomplish these objectives, expenditures for transport development will be directed to:

(i) construction of new roads that provide access to areas where land will be developed and people settled;

(ii) improvement of the major road network especially roads that connect major production areas to ports, markets and sources of raw material supplies;

(iii) development of ports, airports and related facilities and further expansion of the fleet building programme of the national shipping line; and

(iv) improvement of the efficiency of the railway system to meet the expected increase in traffic, particularly bulk traffic.

592. *Roads.* The West Malaysian highway network comprises 10,832 miles of road of which over 80% are paved. The main trunk roads are the three Federal Highways: Route I, with a length of 550 miles, runs through the main traffic corridor along the West Coast from Johore Bahru to the Thai border; Route II, which covers a distance of 197 miles, connects Port Swettenham on the West Coast with Kuantan on the East

Coast; and Route III extends 237 miles north of Kuantan along the East Coast to Kota Bharu. Other Federal and State roads provide connections to major urbanised areas in the interior, to recreation centres, to smaller communities throughout the country and to agricultural production areas.

593. Roads play a dominant role in the transportation system in West Malaysia. It is estimated that 75% of the total passenger-miles and 60% of the total ton-miles travelled are by road. With the expected increase in the development activities of the various sectors of the economy, population growth and rising incomes, road traffic is expected to grow at an average rate of 9-12% per year. To meet this growth in traffic, the present network will be improved and upgraded and new additions to the network will be made to meet prospective transport demand in locations where no transport facilities are presently available. Road development allocations under the Plan are summarised in Table 12-4.

594. *Improvements to existing roads.* According to the General Transport Survey approximately 30% of the Federal road system and 45% of the State road system are deficient in terms of road widths and alignments. The programme for road improvements provides for widening, strengthening, upgrading and realignment of roads and replacement of timber bridges along major Federal roads where traffic intensities have already reached or will soon reach their maximum traffic carrying capacity. The economic justification for such improvements and upgrading is based mainly on savings in vehicle operating costs, road maintenance and travel time. These improvements will be programmed in such a way that those projects yielding the biggest net benefit will be carried out first.

595. *Major expansion of Federal road network.* The East-West Highway is one of the major new road projects under the Second Malaysia Plan. This highway, which will provide a direct link between Kelantan and Penang, will accelerate the development of the northeast region of West Malaysia, the northern interior hinterland and the Penang/Butterworth industrial area. As part of the Asian Highway System, it will link southeast Thailand with northwestern parts of West Malaysia. The immediate programme is to construct 75 miles of the "missing link" from Jeli in Kelantan to Kampong Kuala Rui in Perak.

596. The Kuantan-Segamat Highway, a southern extension of Route III and the main access to the Pahang Tenggara region, is expected to serve large scale agriculture and forestry development in the region. Forming

part of the Asian Highway System, the road will be 112 miles long, consisting of 95 miles of new construction and 17 miles of improvement to Route II.

TABLE 12-4

ALLOCATION FOR ROAD DEVELOPMENT, WEST MALAYSIA, 1971-75

($ million)

Improvements to existing roads	*87.0*
Major expansion of Federal road network	*182.9*
East-West highway	65.0
Kuantan-Segamat highway	27.0
Kuala Lumpur-Karak road	20.0
Improvement and realignment, Route I	58.9
Rantau Panjang road and Golok bridge	5.2
Telok Anson-Lumut road	6.8
Development roads[1]	*75.0*
Jengka Triangle roads	12.0
FLDA roads	28.0
Johore Tengah and Tanjong Penggerang roads	35.0
Other roads	*160.2*
State roads	32.0
Rural roads[2]	47.1
Municipal roads	11.6
Kuala Lumpur bypasses and throughways	20.0
Petaling Jaya-Kuala Lumpur urban roads	40.0
Miscellaneous[3]	9.5
Plant and equipment	*31.0*
Total	536.1

[1] Allocation for feeder roads in the Muda Irrigation Scheme, amounting to $6.2 million, is shown in Table 9-4 in Chapter IX.

[2] These projects are to be financed by the respective States.

[3] Included under this item, among others, is a provision of $4.4 million for repairs to Federal roads damaged by floods.

597. Realignment and relocation of the portion of Federal Route II, extending for approximately 55 miles between Kuala Lumpur and Karak, is a high priority project under the Plan. A feasibility study is being undertaken to evaluate a number of alternative routes in order to select the one which will yield the highest net economic benefit. Another high priority project along Route II is the construction of a new bridge over the Pahang river at Temerloh.

598. A feasibility study is also being carried out to determine the improvements required to specific segments of Federal Route I. These include a 14-mile stretch in and around Butterworth, a 47-mile stretch from Ipoh to Changkat Jering, the segment between Kuala Lumpur and Seremban and the Kuala Lumpur-Tanjong Malim road. In addition to these major road projects, the Rantau Panjang-Kota Bharu road will be improved, and a road bridge constructed at Sungei Golok. With the construction of the Sungei Golok bridge, under the ASEAN regional co-operation programme, a road connection between Southern Thailand and Kelantan will be established.

599. *Development roads.* The major components under this category include access and internal roads for FLDA schemes and new regional development areas. In order to accelerate and facilitate orderly large scale agricultural and land development of the Tanjong Penggerang region, the Johore Tengah region, the Pahang Tenggara region and other areas, a system of feeder roads will be provided. Without new roads, most of the land in these regions would not be accessible for development. It is estimated that 250 miles of feeder roads will be needed for the development of the Pahang Tenggara region alone, which has an area of 2.4 million acres and will have a population of 400,000 to 450,000 at full development. Similarly, the development of the Johore Tengah and Tanjong Penggerang regions will require extensive feeder road systems in addition to the main access roads.

600. A sum of $75 million has been allocated for these development roads. The time-phasing for the construction of these roads and the standards to which they will be built will depend on the pace and type of development activities that will be carried out in these areas.

601. *Other roads.* This category includes construction and upgrading of State and rural roads, roads in the four Municipalities of Kuala Lumpur,

Malacca, George Town and Ipoh and improvement of Kuala Lumpur bypasses and throughways and the Kuala Lumpur-Petaling Jaya road network. Federal financial aid to the four Municipalities will emphasise improvements or relocations of road segments that form an integral part of the road network for the efficient discharge of both commuter and through-traffic from the built-up areas to the main arterial roads and *vice versa*.

602. The total allocation for these other roads is $160.2 million, of which $60 million are for road improvements in the increasingly congested Kuala Lumpur-Petaling Jaya area and $47.1 million for rural and minor roads to be financed by the respective States.

603. *Railway*. The Malayan Railway will play a more active and significant role in the transport field than in the past. The Railway handles about 18% of the total tonnage of goods traffic in the country. However, it is in the long distance bulk traffic that the Railway is most important. In 1970 it carried 50% of all such traffic. It is expected that this share of traffic will increase during the Plan period. The bulk of future traffic to be carried by the Railway will be such basic commodities as petroleum, cement, timber and logs, rubber and latex, palm oil, rice and fertilisers.

604. The programme of rehabilitation and modernisation, aimed at putting the Railway on a commercially sound and viable footing, will be carried forward during the Plan period. Major investments include dieselisation, replacement of obsolete rolling stock, improvements to signalling and communications, workshops and permanent ways as well as the upgrading and realignment of the Port Dickson branch line to meet the expected increase in petroleum traffic. Complete dieselisation will be achieved by 1972. To obtain the full benefits of dieselisation new rolling stock will be needed together with heavier and stronger couplers, to enable longer and heavier trains to be run. In addition to the modernisation of the physical facilities and equipment of the Railway, both Railway management and labour utilisation will be improved to produce an efficient service. To achieve this objective, specific measures recommended by the various studies on the Railway will be implemented. Thus through a programme of improvements and modernisation of the Railway's equipment and facilities together with reorganisation of management and labour, a more efficient Railway operation will emerge. The major development programme for the Malayan Railway under the Plan is indicated in Table 12-5.

TABLE 12-5

ALLOCATION FOR RAILWAY DEVELOPMENT, WEST MALAYSIA, 1971-75

($ million)

Diesel locomotive	27.4
Rolling stock	30.0
Permanent ways and bridges	10.0
Port Dickson line	10.0
Running shed improvements	2.5
Shop machinery	2.0
Training school	1.7
Others	2.1
Total ...	85.7

605. *Civil Aviation.* Over the past five years the number of passengers embarking and disembarking at West Malaysian airports has been increasing at the rate of 16.4% per year. In order to meet traffic demand, existing airports and related facilities, including the air navigation system, will be upgraded and improved. To ensure co-ordinated development of airport facilities and aircraft operation, a national airport plan will be undertaken. Detailed master plans are being drawn up to guide development of the Kuala Lumpur, Penang, Kuching and Sandakan airports, similar to the plan already devised for Kota Kinabalu. Studies for the development of Miri, Tawau, Sibu, Bintulu, Lahad Datu, Kota Bharu and Ipoh will also be undertaken during the Plan period to cater for short and medium range jet aircraft. The airports at Malacca, Kuantan, Kuala Trengganu and Alor Star will also be improved to meet the increasing frequency of services, including night operations in some airports. A new airport will be constructed for short and medium range jet aircraft near Johore Bahru during the Plan period.

606. The present Malaysia-Singapore Airlines (MSA) is being reorganised into separate national airlines of Malaysia and Singapore. Resulting from this reorganisation, a new national airline, Malaysia Airlines Berhad (MAL), was established in early 1971. The MAL will continue and expand both domestic and international services. Initially emphasis will be placed on

domestic services but from the start the MAL will operate various international routes, and will secure an appropriate share of the rapidly increasing air traffic in this region and beyond. In respect of the control of airspace, Malaysia will take over responsibility for the administration of the flight information services which are currently administered by Singapore. The development programme for civil aviation is shown in Table 12-6.

TABLE 12-6

ALLOCATION FOR CIVIL AVIATION DEVELOPMENT, WEST MALAYSIA, 1971-75

($ million)

Airports	
Kuala Lumpur	7.4
Penang	3.7
Johore	6.3
Kota Bharu	4.8
Other airports	1.4
Communications and Navigational Aids	
Air traffic control system	11.4
Radar surveillance unit	2.2
Flight test unit	2.7
Others	4.9
Malaysia Airlines Berhad (MAL)	5.0*
Total	49.8

607. *National shipping line.* The MISC will embark on further programmes of fleet expansion so as to increase its tonnage to at least one million deadweight tons. In order to accelerate the development of the coastal trade between West and East Malaysia the national shipping line intends to run a regular service and for this purpose a number of suitable coastal vessels will be acquired as part of the proposed fleet expansion plans.†

* This is an initial allocation which will be increased when the expansion programmes of the MAL are finalised.

† Appropriate allocation is shown in Table 11-6 in Chapter XI.

608. *Ports and Marine Services.* Adequate port capacity and the development of related services are essential requisites for export expansion and economic growth. Traffic through West Malaysian ports, excluding petroleum products and iron ore, increased by approximately 52% over the past five years. The two major ports in West Malaysia, Port Swettenham and Penang, handle almost three-quarters of the country's international trade, excluding petroleum products and iron ore. With the completion of five deep-water wharves at Penang, there will be adequate capacity at this port to handle future traffic for many years to come. Meanwhile, expansion work is also being undertaken at Port Swettenham by adding 2,800 feet of wharves at the North Port which will be completed in 1973. In addition, present facilities at the South Port will also be expanded by the construction of a lighterage wharf and the joining of two existing wharves to meet the requirements of bulk cargo. The expansion programmes at Port Swettenham and Penang take account of containerisation needs. The former includes the construction of two container berths, which will be equipped with container handling facilities.

609. To meet the long-term requirements of both passenger and vehicular traffic between the mainland and Penang Island, some form of fixed linkage will be constructed. A full scale detailed engineering and economic study will be undertaken at the beginning of the Second Malaysia Plan to determine the most suitable form of fixed linkage. In the meantime, the present ferry services will be expanded to meet traffic requirements until such time as the fixed linkage is put in place and becomes operational.

610. Improvement, including dredging work, will also be made to existing minor ports at Kuantan and Kuala Trengganu and in the case of the latter a jetty will be constructed. With the increased tempo of land development activities in the East Coast States these ports are expected to play an important role in handling such commodities as palm oil, timber and petroleum products. The possibility of establishing a major commercial port at Kuantan is being investigated. Kuantan will also be a centre for modernised fishing activities proposed in the Plan. The development of a major port on the East Coast is part of a long-run plan for the acceleration and diversification of economic activity in the East Coast region. The construction of a port in Johore is actively being examined mainly to provide an export outlet for palm oil, timber and other products from the two regional development areas in the State. The development programme for ports and marine services is indicated in Table 12-7.

TABLE 12-7

ALLOCATION FOR PORT AND MARINE DEVELOPMENT, WEST MALAYSIA, 1971-75

($ million)

Port Swettenham	68.0
Penang port*	18.5
Johore port	19.0
Kuantan port (*new*)	10.0
Improvements to Kuantan and Kuala Trengganu ports ...	2.3
Purchase of dredger	2.5
Other marine services	2.6
Total ...	122.9

611. *Telecommunications.* The telecommunications programme under the Plan will expand and improve both internal and external services. Subscribers' network and automatic exchanges, including trunk and junction networks, will be expanded to meet the increasing demand for telephone services. A sum of $125 million or about 56% of the total development expenditure for telecommunications under the Plan is allocated for this purpose. The increase in the number of telephones requires corresponding expansion of trunk and junction networks inter-linking the various exchanges, for which a sum of $55 million has been allocated. During the Plan period at least 130,000 new direct exchange lines will be installed. It is hoped that the number of waiters will be reduced substantially by 1975. The present telex network in Malaysia is a manual system and the Plan provides for conversion of this network into a fully automatic system to be completed by 1972. Provision is also being made for greater increase in telex subscribers.

612. External services will also be expanded to cope with the growing overseas traffic as well as with the increase in the number of circuits to overseas countries, especially in the ASEAN region. The Department will continue to expand its training programme for technical and traffic personnel at various levels including supervisory and management staff. In addition, a Research and Development Section will be established to carry out

* Included under this item is $17.5 million for the expansion of ferry services and the remainder is for land acquisition pertaining to Penang port expansion.

continuous investigations and evaluations of new techniques, equipment and systems that are being used or developed. Studies have already been made to provide the Telecommunications Department with a commercial accounting system, leading to modern financial management, and this system is being implemented. The development programme for Telecommunications is indicated in Table 12-8.

TABLE 12-8

ALLOCATION FOR TELECOMMUNICATIONS DEVELOPMENT, WEST MALAYSIA, 1971-75

($ million)

Subscribers' network	64.7
Automatic exchanges	60.3
Trunk and junction networks	55.0
Telegraph and telex systems	17.7
International satellite communications and external services	5.8
Radio services	3.6
Training and research	3.2
Others	12.6
Total ...	222.9

613. *Postal Services.* To meet the increasing volume of mail during the Plan period, and to extend the postal services to new areas in the country, existing facilities will be improved. Additional postal services will be provided in new areas, based on the following criteria: to provide postal agencies to villages with a population up to 1,000; post offices to towns with a population of 3,000 or over; and post offices or mobile postal units to towns with a population of less than 3,000. Total development expenditure for postal services will amount to $15.2 million.

614. *Broadcasting.* Radio and television broadcasts play an important role in nation-building, especially in promoting national unity and ideals as enshrined in the *Rukunegara,* and in changing traditional attitudes unconducive to national development. Projects under the Second Malaysia Plan include the completion of the radio house at Angkasapuri, the establishment of a broadcasting training institute, additional transmitting stations for West Malaysia and the provision of facilities at the television centre, Kuala Lumpur.

615. *Meteorological Services.* Under the Plan storm warning radar systems at Kuantan and Mersing along the East Coast, and Kuala Lumpur on the West Coast will be established. These systems will enable rainfall intensities over critical areas to be predicted quickly and accurately, so that flood warnings can be issued swiftly to alert residents of the flood-prone areas.

616. A wind finding radar station will also be established in Kuala Lumpur to improve weather forecasting for aviation. This station will be provided with balloon-borne reflectors to enable upper air pressure, temperature and humidity to be measured up to heights exceeding 100,000 feet. The development programme for postal services, information and broadcasting and meteorological services is shown in Table 12-9.

TABLE 12-9

ALLOCATION FOR POSTAL SERVICES, BROADCASTING AND METEOROLOGICAL SERVICES, WEST MALAYSIA, 1971-75

($ million)

Postal services	15.2
Radio	28.3
Television	17.4
Meteorological services	3.5
Total ...	64.4

2. EAST MALAYSIA

617. *Objectives.* Both Sabah and Sarawak are sparsely populated with average population densities of less than 20 persons per square mile. Each State contains concentrations of population and non-agricultural economic activities, principally at port sites. With the present spatial distribution of production and population and the difficult terrain conditions prevailing, the costs of developing infrastructure facilities, especially roads, are relatively high. Both States will rely heavily on water and air transport and on communications systems to maintain social and economic links among the various population centres.

618. Transport and communications development in East Malaysia will be aimed at exploiting the natural resource potentials and facilitating

economic development and social integration. In the transport sector, priority will be given to improvement and expansion of ports and airports and development of feeder roads. Investment in major trunk roads to connect isolated population centres will be carefully planned and carried out in stages so as to maintain proper balance between social and economic needs and overall resource availability.

619. *Roads.* The East Malaysian highway network comprises 2,673 miles of road of which 1,735 miles are in Sabah and 938 miles in Sarawak. In Sarawak, the major trunk road connection is between Kuching and Sibu. The remaining portions of Sarawak's road system consist of short segments: around Bintulu, between Miri and Batu Niah, and in the vicinity of Limbang and Lawas. Traffic volumes are relatively light on all these roads, except in the Kuching area. Most roads in Sarawak have average daily traffic well below 1,000 vehicles and most sections were built to a relatively low standard, including the older and now more heavily travelled segments between Kuching and Serian.

620. Sabah's road network is more extensive than that of Sarawak. The basic system consists of a West Coast road providing fairly complete connections between major population centres along the coast; a major trunk road east of the Crocker Range between Tomani and Patau; a segment of East-West Highway between Sandakan and Telupid; and a road network between Tawau and Lahad Datu. The road development expenditures are summarised in Table 12-10.

TABLE 12-10

ALLOCATION FOR ROAD DEVELOPMENT, EAST MALAYSIA, 1971-75

($ million)

	Sabah	*Sarawak*	*Total*
Trunk roads	85.8	24.2	110.0
Urban road improvements*	14.4	27.8	42.2
Development and feeder roads*	22.3	11.8	34.1
Plant and equipment	4.7	26.8	31.5
Others	1.2	1.0	2.2
Total ...	128.4	91.6	220.0

* These items will be financed from State resources.

621. *Trunk and urban roads.* Trunk and urban roads will be improved and upgraded wherever traffic is sufficiently great to give economic justification. Based on the projections of population, output and vehicle ownership, road traffic is expected to grow in the range of 9% to 15% annually in both Sarawak and Sabah.

622. The roads which require upgrading and improvements include stretches along the Kota Kinabalu-Papar-Beaufort road, a stretch between Kota Belud and Sikuati along the West Coast of Sabah and existing major trunk roads in the Pegalan Valley, Tawau and Sandakan areas. In Sarawak, the main trunk roads requiring improvement include the Kuching-Sibu and Miri-Bintulu roads.

623. *Development and feeder roads.* The network of development and feeder roads will be extended to meet the requirements of agricultural development and land settlement. The feeder roads are located mainly in the First, Second and Fourth Divisions in Sarawak and in the Tawau, Lahad Datu and Sandakan areas in Sabah. The development of feeder roads programme amounts to $22.3 million for Sabah and $11.8 million for Sarawak, sums which will be financed by the two respective States.

624. *Railway.* The Sabah Railway, which is the only means of land transport connecting the Pegalan Valley with the West Coast, will remain in service to cater for both goods and passenger traffic until a good all-weather road is built over the Crocker Range. To ensure its efficient operation, the Railway's equipment and facilities will be modernised. Major investments include dieselisation, replacement of obsolete rolling stock and improvement to permanent ways and the workshop. An expenditure of $8 million is proposed in the Plan.

625. *Civil Aviation.* Air passenger traffic at major East Malaysian airports has increased at an annual rate of 12.2% over the last five years. As noted earlier, a master plan study has already been completed for Kota Kinabalu and similar studies will be undertaken for Kuching and Sandakan airports. The Sandakan and Kota Kinabalu airports will be developed to meet requirements of medium and long range jet aircraft, respectively. Minor airports and rural airstrips will also be improved where land transport facilities are still inadequate.

626. To meet the requirements of expanding aviation activities in East Malaysia, existing communications and navigational facilities will be expanded and improved at all airports. A new VOR/DME will be installed at Sandakan and Sibu, while an ILS will be installed at Kota Kinabalu

airport. Other minor airports and rural aerodromes will also be equipped with MF beacons and AFTN facilities. The development programme for civil aviation in East Malaysia is given in Table 12-11.

TABLE 12-11

ALLOCATION FOR CIVIL AVIATION DEVELOPMENT, EAST MALAYSIA, 1971-75

($ million)

Airports	
Kota Kinabalu	27.9
Sandakan	10.3
Kuching	7.6
Sibu	0.5
Rural air services	1.0
Air navigational aids	
Improvement to navigational aids	3.3
Rural air services radios	0.2
Civil surveillance radar and ILS	2.9
Others	5.3
Total ...	59.0

627. *Ports and Marine Services.* The two ports in Sabah, Kota Kinabalu and Sandakan, will be expanded during the Plan period. A new port will be provided for Sandakan at Pavitt Point. While the existing wharf capacity at Sandakan port is sufficient for the present demand, the structural condition of the wharf requires immediate action. Traffic forecasts indicate that the cargo tonnage will exceed optimum capacity by 1972. The port expansion project will include the construction of new wharves together with the necessary ancillary facilities. Similarly, Kota Kinabalu port, which is already operating at its effective capacity, will be further expanded by providing additional wharf capacity.

628. In 1968, a Sabah Ports Authority was formed. The first port to be administered by the Authority is Kota Kinabalu. Eventually this Authority will extend its area of operations to all major and minor ports in Sabah.

629. In Sarawak, the Sibu port will be further expanded by the addition of 1,000 feet of wharves since the present port has already reached its optimum capacity. The operation and management of the Sibu port will come directly under the Rajang Port Authority, established by the State Government in 1969. Kuching's existing port facilities at Tanah Puteh cannot be expanded to meet future traffic requirements because of the draught limitation. Therefore a new port will be constructed at Pending Point, where deeper draught is available. Construction work on the port will start in late 1971. The possibility of developing another major port in the Fourth Division of Sarawak will be investigated in the course of the regional development study of the Lambir-Subis area.

630. A number of minor wharves and jetties located along the rivers, especially in Sarawak, will also be improved to facilitate the movement of goods and people. The development programmes for ports and marine services under the Plan are summarised in Table 12-12.

TABLE 12-12

ALLOCATION FOR PORT AND MARINE DEVELOPMENT, EAST MALAYSIA, 1971-75

($ million)

Kota Kinabalu	22.6
Sandakan	27.6
Kuching	20.0
Sibu	14.8
Minor ports	10.4
Marine services	11.5
Total	106.9

631. *Communications.* In East Malaysia, telecommunications facilities are principally installed in towns and ports along the coasts where population, trade and administration are concentrated.

632. Under the Plan the telecommunications network in East Malaysia will be extended to fill the major gaps that exist in both States. A micro-wave link connecting Kuching, Simanggang and Sibu is expected to be commissioned by late 1971. Higher capacity links between the main towns

in Sabah and the first phase of the new inter-state link between Sabah and Sarawak will be provided during the Plan period. This will be accorded high priority as part of the strategy to develop the East Malaysian transport and communications networks.

633. Postal services will also be expanded by constructing new post offices in Kuching, Miri, Kapit, Binatang, Padungun and Simunjan in Sarawak and in several districts in Sabah, such as Likas, Kuala Penyu and Sipitang. Similarly, the development programme for broadcasting will be expanded to provide greater coverage. A television service is being introduced in Sabah. The communications development expenditure under the Plan is shown in Table 12-13.

TABLE 12-13

ALLOCATION FOR COMMUNICATIONS DEVELOPMENT, EAST MALAYSIA, 1971-75

($ million)

	Sabah	*Sarawak*	*Total*
Telecommunications	*38.4*	*37.0*	*75.4*
Trunk and junction networks	15.0	12.2	27.2
Automatic exchanges	9.4	8.0	17.4
Subscribers' network	4.1	8.1	12.2
Radio and telegraph services	1.0	3.1	4.1
Others	8.9	5.6	14.5
Television	*19.6*	—	*19.6*
Radio	*6.0*	*7.9*	*13.9*
Postal services	*1.5*	*2.3*	*3.8*
Total ...	65.5	47.2	112.7

IV.—TRANSPORT PLANNING AND CO-ORDINATION

634. Transport is an essential ingredient of almost every aspect of development. It forms an integral part of investment programmes in agriculture, industry and other sectors. Viewing transport as a separate problem can result in costly mistakes in the choice, timing, location and design of projects. This has often reduced the potential contribution of transport to economic and social progress.

635. The major agencies of the Government that are directly involved in transport planning and co-ordination are the EPU in the Prime Minister's Department, the Ministry of Transport and the Ministry of Works, Posts and Telecommunications. The EPU serves as the co-ordinating and integrating agency rather than the initiator of sector plans, of which transport is one. The Ministry of Transport is the logical agency for transport planning and policy formulation. Its function is to co-ordinate the development of transport facilities and services so that they will form an efficient system. To ensure effective performance of its functions, planning and research units have been established within operating agencies such as the Malayan Railway and Port Authorities. These units will be responsible for the collection of data for their respective modes relevant for planning and policy-making considerations, identification and preparation of projects and continuous analysis of mode operations to identify and assess major changes in transport requirements. Regular and systematic reports will be submitted by these units to the Ministry of Transport.

636. While the Ministry of Transport is directly responsible for the development of air, water and road transport policies, the formulation and planning of road development programme rests with the Highway Planning Unit of the PWD in the Ministry of Works, Posts and Telecommunications. Close co-operation and consultation will be effected among EPU, the Ministry of Works, Posts and Telecommunications and the Ministry of Transport for the development of a comprehensive, integrated and efficient transport system. In addition, a Cabinet Committee on Communications under the Chairmanship of the Deputy Prime Minister was formed in 1970 to examine and direct the implementation of transport and communications policies and programmes.

V.—MAJOR TRANSPORT POLICY ISSUES

637. Construction of transport facilities will be co-ordinated with measures relating to the use of such facilities. Action is being taken on a number of transport policy issues which were identified by the General Transport Survey. These pertain to:

(i) a comprehensive road transport licensing policy to ensure sufficient road transport capacity and its efficient utilisation;

(ii) a structure of road user taxes to make it consistent with the Government's general socio-economic objectives of spreading more broadly the benefits of economic growth and accelerating the development of sparsely populated and lagging areas in the country;

(iii) a revised railway tariff structure which will align the charges more closely with costs of hauling various types of goods traffic; and

(iv) special measures to encourage more participation in the transport industry by Malays and other indigenous people.

638. Two Committees have been set up by the Government to deal with these issues. With regard to road licensing, steps are being taken to amend the Road Traffic Ordinance and its subsidiary rules to ensure that the requirements and limitations relating to capacities, routes and commodities carried will facilitate the rational development and efficient operation of the road transport industry.

639. The present structure of road user taxes penalises small buses and those operating in areas of low traffic density. Since these are typical characteristics of buses in rural areas, this tax structure is inconsistent with the objectives of spreading more broadly economic activity and the benefits of growth. Studies are being undertaken to provide an adequate information base for the revision of the road user tax structure.

640. In line with the New Economic Policy, promotion of greater participation by Malays and other indigenous people in road transport will be vigorously pursued. In addition to the various measures already taken, the Government will establish a National Haulage Corporation under the auspices of MARA, which will provide the necessary training, technical advice and credit facilities.

641. In order to meet inland container traffic requirements, a National Container Road Haulage Company will be formed with participation by the MISC, MARA, Bumi Rel and PERNAS. This Company will be solely responsible for the handling of container traffic in West Malaysia.

VI.—FINANCING OF TRANSPORT AND COMMUNICATIONS PROGRAMMES

642. International financing plays an important role in the transport and communications development programmes in view of their relatively high foreign exchange components. A number of projects in the Plan will be financed from external sources such as the World Bank, the Asian Development Bank and bilateral aid programmes. It is estimated that external financing will be able to meet as much as 40% of the transport and communications development programmes.

TABLE 12-14

ALLOCATION FOR TRANSPORT AND COMMUNICATIONS, 1971-75

($ million)

	West Malaysia	Sabah	Sarawak	Malaysia
Transport ..	*794.5*	*243.3*	*150.6*	*1,188.4*
Roads[1]	536.1	128.4	91.6	756.1
Railways	85.7	8.0	—	93.7
Ports[2]	122.9	60.3	46.6	229.8
Civil Aviation	49.8	46.6	12.4	108.8
Communications	*287.3*	*65.5*	*47.2*	*400.0*
Telecommunications	222.9	38.4	37.0	298.3
Postal Services	15.2	1.5	2.3	19.0
Broadcasting	45.7	25.6	7.9	79.2
Meteorological Services	3.5	—	—	3.5
Total ..	1,081.8	308.8	197.8	1,588.4

[1] Including PWD plant and equipment.

[2] Including marine services.

CHAPTER XIII

Utilities

I.—INTRODUCTION

643. The programmes considered in this Chapter, namely, power and water supplies, are essential parts of the infrastructure facilities to provide for the growth of industry, urban development and the modernisation of agriculture and the rural areas. In the context of the New Economic Policy, power and water supply development has a vital role to play in the Government's efforts to induce industries to locate in selected development areas. Availability of power and water in these areas will make possible the processing of agriculture-based products as envisaged in the Plan. Power resources must be available to meet the needs of general development as well as to facilitate the achievement of the Plan goals for social improvements in the remote areas.

644. Development in this sector requires careful and advance planning and preparation as it invariably involves heavy investment. The projection of future demand and technical investigations into the available resources and the alternative costs of their development have all to be done carefully. The agencies in this sector such as the National Electricity Board (NEB) in West Malaysia, the Sabah Electricity Board (SEB) and the Sarawak Electricity Supply Corporation (SESCO) have long-term plans to guide investments over a ten-year period and beyond. A comprehensive long-term plan has not yet been developed for water supplies. A national policy relating to water use and management is being formulated to take into account the increasingly competitive uses of water and the potentially damaging effects of development on the ecology of the country.

II.—POWER: REVIEW OF PROGRESS, 1966-70

645. In *West Malaysia* there was a rapid growth in power generating capacity under the First Malaysia Plan as several major projects were completed. By 1970, the installed generating capacity of the NEB totalled 664 MW, made up of 265 MW of hydro-electric plant, 360 MW of steam plant and 39 MW of diesel plant. This represents a more than doubling of the generating capacity of the system during this period, from a total of about

300 MW in 1965. A further 180 MW of steam plant will be added to the NEB system with the completion by 1972 of works now under construction to bring total installed capacity to 844 MW. These figures on installed capacity exclude the capacity of private licensees and the Penang City Council, which total 200 MW from hydro, thermal and diesel plants.

646. Total expenditure on power development in West Malaysia during the First Malaysia Plan period amounted to $517.6 million (*see* Table 13-1). This includes expenditure for the transmission and distribution systems, rural electrification and other facilities. The first major hydro-electric plant at Cameron Highlands was completed and brought to its ultimate total capacity of 259.7 MW. The transmission system along the West Coast was fully interconnected with the national grid so that all towns from Johore Bahru to Alor Star and all major generating plants are now interconnected.

TABLE 13-1

PUBLIC DEVELOPMENT EXPENDITURE ON ELECTRIC POWER, 1966-70

($ million)

	Original Plan allocation	*Actual expenditure*	*Achievement %*
West Malaysia	*545.0*	*517.6*	*95.0*
Prai power station	45.0	44.4	98.7
Temengor hydro-electric scheme	25.0	—	—
Batang Padang hydro-electric scheme	121.0	142.6	117.9
Port Dickson power station	108.0	136.5	126.4
Johore Bahru power station	28.0	25.3	90.4
Bentong hydro-electric scheme	20.0	—	—
Raub hydro-electric scheme	20.0	—	—
Distribution	137.0	111.8	81.6
Rural electrification	15.0	23.0	153.3
Others	26.0	34.0	130.8
Sabah	*15.0*	*10.3*	*68.7*
Power	13.5	9.3	68.9
Rural electrification	1.5	1.0	66.7
Sarawak	*24.3*	*2.7**	*11.1*
Power development	23.1	2.6*	11.3
Rural electrification	1.2	0.1	8.3
Total	584.3	530.6	90.8

* Excludes expenditure financed from SESCO's internal resources.

647. The rural electrification programme was expanded during the period. The programme is jointly financed by the National Electricity Board, the Federal Government and State Governments. Under the First Malaysia Plan nearly 650 villages were covered by this programme at a total cost of $23 million. More than 50,000 rural households were provided with electricity in the villages covered.

648. Three loans for financing the foreign exchange costs of the projects were concluded with the IBRD during the period amounting to about $190 million. Total disbursements, including those from previous loans, amounted to $207.6 million. A start was also made in the use of suppliers' credits for the foreign exchange costs of major projects, while the balance was provided from Government financing and the internal resources of the NEB.

649. All NEB projects were completed on schedule and within the estimated costs. By 1969 all key positions were held by Malaysians. Since 1963 the average annual increase in total sales has been 15.8%. The share of tin mining, formerly the major consumer, has declined from about 30% to 16% since 1963, while that of industry has increased from 22% to 39%. This share is expected to increase further as a result of the Government's efforts to foster industrialisation under the Second Malaysia Plan.

650. In *Sabah* the system consists essentially of two principal load centres; the capital, Kota Kinabalu, on the West Coast with a capacity of 17.5 MW and Sandakan on the East Coast with a capacity of 26.5 MW. The two next in size are Tawau and Labuan, each of 3.3 MW capacity. The remainder of the system serves a number of isolated villages by individual stations with a total generating capacity of 3.4 MW.

651. The generating capacity of the SEB increased three-fold, from 17.9 MW in 1965 to 53.45 MW in 1970. Total development expenditure on plant and installations, transmission and distribution systems and miscellaneous items amounted to $10.3 million. The major expenditure incurred in the last two years of the Plan was for the completion of a new power station at Sandakan equipped with three 5 MW diesel generating sets and five miles of 11 KV distribution system.

652. The number of consumers served increased from 13,512 to 24,500, an increase of 81%, while revenue increased by about the same percentage from $6.48 million to $11.8 million. About $1 million was spent on constructing 11 rural supply systems benefitting approximately 1,300 consumers. In 1965, 470 consumers were served by such systems. The Board's new headquarters at Kota Kinabalu was completed to replace the old offices and also to provide accommodation for the offices of the West Division.

653. In *Sarawak,* the Sarawak Electricity Supply Corporation (SESCO), established in 1963, is the major supplier of power. It operates 23 stations scattered throughout the area. The total installed capacity in 1970 is about 33 MW, compared to about 18 MW in 1965. As in Sabah, all the stations are equipped with diesel generating sets, ranging from 28 KW to 5,000 KW capacity. The important load centres are Kuching, Sibu and Miri, which together accounted for over 75% of installed capacity. Under the First Malaysia Plan about $2.7 million was spent on expanding the system and service areas.

654. During the period of Confrontation, the demand for power rose between 17% and 24% per year, in large part due to the build-up in military forces. After 1967, the situation returned to normal with an annual rate of increase of about 15%.

III.—POWER: PROGRAMMES UNDER THE SECOND MALAYSIA PLAN

655. The power development programme in *West Malaysia* is aimed at further expansion of the network through 1985. The programme is based on projections by the NEB of system demands and generating capacity as well as on studies of the most suitable mix of thermal and hydro-electric facilities. The forecast of power demand requires a system growth of about 11% per year from 1970 to 1973 and an annual growth of 10% from 1974 onwards.

656. The recommended sequence of plant installations involving the least cost alternative comprises:

(*a*) the installation of three 120 MW thermal units at Port Dickson over the period 1974-76; and

(*b*) the development of the Temengor hydro-electric project, consisting of three 87 MW units to be commissioned by 1977-78.

657. The above programme involves the addition of nearly twice as much generating plant as was constructed under the First Malaysia Plan. The total cost of this programme, including transmission and other associated works, is well over $700 million. However, it is expected that actual expenditure during the Plan period will be about $500 million. By 1976, installed generating capacity will have increased to 1,204 MW, representing a ten-fold growth in the size of the system since the beginning of 1963.

658. The Third Stage extension to the Port Dickson station was originally planned to accommodate eight sets of 60 MW each. Work on the First

Stage, consisting of two 60 MW sets, has been completed and Stage Two, with a further two sets of 60 MW each, will be completed by 1972. For the Third Stage development, larger sets of 120 MW each will be installed, as these larger units permit substantial savings in fuel costs.

659. The estimated cost of the project is $220.2 million of which the IBRD is to provide a loan of $60 million for the transmission lines and sub-stations, civil works, auxiliary equipment and consulting services. The major items such as boilers and turbo-alternators are to be financed under bilateral aid or suppliers' credit arrangements. Opportunities for financing under these arrangements were first utilised in 1969 and 1970 with favourable results. This means a shift from reliance on IBRD financing which will then be confined to a small part of the transmission and distribution system.

660. The other major development is the Temengor hydro-electric project. This will be the second hydro complex to be undertaken in West Malaysia. Feasibility studies are being carried out on a number of other potential hydro-electric schemes. The Temengor project has been studied at various times since 1964 with respect to the timing and economics of implementation. A final decision has been taken to proceed with the project to be commissioned in 1977-78. The project will have a generating capacity of 260 MW, and will be the biggest yet undertaken by the Board. The estimated cost of the project is over $240 million, with a foreign exchange component of nearly $160 million. The project involves the construction of a dam, tunnel, generating station and associated trunk transmission lines, and will take about six years to complete. A feature of the project is the incorporation in the dam design of elements for flood control purposes.

661. The engineering designs and site works will commence in mid-1971. The Canadian Government provided the financing under a soft loan agreement for the consultants' services, and has offered a line of credit on the same terms for the foreign exchange costs of this project as well as other items connected with power development in West Malaysia beyond the Second Malaysia Plan period. With this offer as well as offers from other bilateral sources, the financing of the power programme seems assured. The source of financing will be determined on the basis of international competitive bidding.

662. The programme for rural electrification is an important one in the overall development strategy to accelerate the process of dispersal of industries and to increase productive activity in the rural sector. An allocation of $20 million has been provided by the NEB for this purpose. The Federal and State Authorities will supplement this allocation as and when necessary.

Furthermore, the extension of the national grid network to Central West Malaysia and the first interconnection to the East Coast in Kuantan, scheduled for completion in 1974, will provide additional rural areas in the region with cheaper electricity from the national grid. These areas can be expected to become important load centres, especially in connection with the establishment of processing or other agro-based industries. Hence, the programme will play an important role in achieving the goals of the New Economic Policy.

663. The development programme in *Sabah* is largely designed to meet normal growth of demand during the period. Total expenditure is estimated at $20.7 million which includes the installation of two new 5 MW sets at Kota Kinabalu and one 5 MW set in Sandakan, costing approximately $3 million and $1.5 million respectively. The balance is for the expansion of the distribution system and other improvements.

664. The installation of the additional sets at Kota Kinabalu will be done in two stages: one 5 MW set in 1972 so as to increase generating capacity from the present 17.5 MW to 22.5 MW. A second 5 MW set will be installed in 1975 to bring total capacity to 27.5 MW.

665. Further expansion of capacity at the present site is limited by the availability of land. During the Second Malaysia Plan period, a decision on whether to develop a hydro-electric or a new thermal station will be taken. Studies now underway will provide the data necessary for this decision to be made.

666. A sum of $3.32 million has been provided for rural electrification. This expenditure will provide electricity and its associated benefits to about 30 new rural areas. A new power station will be constructed in Lahad Datu.

667. In *Sarawak*, SESCO's programme for the period up to 1975 will satisfy the growth rate in energy consumption, projected at about 16% annually. Energy consumption *per capita* in Sarawak is the lowest in Malaysia but this is expected to increase as a result of tariff reductions introduced in 1970, the stronger trends in industrialisation and the general development of the State.

668. The major projects include the installation of two 5 MW generating plants at Kuching to be commissioned in 1973 and 1975, a 2 MW set at Sibu required in mid-1972 and a 3 MW set in 1974, and a 1 MW set at Miri for commissioning in late 1972. Also included is the extension of SESCO's rural electrification programme. In addition, a 33 KV transmission system is to be constructed in Kuching.

669. Total expenditure under the programme is estimated at $41.8 million including $1.5 million for rural electrification. About 42% of total expenditure will be on generation and 49% on distribution projects. The ADB is providing about $7.5 million for the foreign exchange costs of the programme, while the balance will be financed from the SESCO's internal resources. A further loan of $2.6 million will be negotiated with the ADB during the Plan period.

IV.—FINANCING OF THE POWER PROGRAMME

670. The power authorities will provide the bulk of the required funds from their own resources. There are several available alternatives for financing the remaining needs on reasonably good terms. IBRD loans will finance a major portion of the remaining NEB needs, while the ADB has already concluded a loan for financing a part of the SESCO's programme. An approach will also be made to these institutional lenders to finance a portion of the SEB's programme, especially for the next stage of development of either a thermal or hydro station.

671. Other important sources of finance are suppliers' credits and bilateral aid offers previously made to Malaysia. In certain cases the terms offered are relatively attractive. There is also considerable interest shown in financing this sector by the East European countries. The most suitable form of financing will be determined after international competitive bidding and evaluation of the technical as well as the financial aid terms.

672. Table 13-2 shows the allocation for power development under the Second Malaysia Plan.

TABLE 13-2

ALLOCATION FOR POWER DEVELOPMENT, 1971-75

($ million)

West Malaysia	*500.8*
Prai power development	6.4
Temengor hydro-electric scheme	63.5
Port Dickson power development	197.8
Johore Bahru power development	7.1
Transmission	60.9
Distribution	114.6
Rural electrification	20.0
Others	30.5

Sabah	*20.7*
Generation*	9.3
Distribution	8.1
Rural electrification	3.3
Sarawak	*41.8*
Generation	17.5
Distribution	20.3
Rural electrification	1.5
Others†	2.5
Total ...	563.3

V.—TARIFF STRUCTURE

673. The tariff structure employs the widely used block tariffs for domestic and commercial consumers and the two-part tariff with a demand charge for industrial consumers. A special industrial promotion tariff which offers power at rates slightly above production costs has been established by the NEB as one element of the Government's policy to assist industrial development. These tariff rates allow NEB to meet costs and generate a reasonable percentage of its essential financing requirements for expansion.

674. The Board's tariffs are designed to reflect the actual operating costs, which are lower in the case of supplies from the national grid than those from isolated diesel and rural power stations. That operating costs are lower in the interconnected western network arises from the use of large capacity plant of high efficiency with savings in standby plant and comparatively lower distribution and administrative charges. As additional areas are brought into the national grid, the benefits of lower costs will be enjoyed by both domestic and industrial consumers.

675. Under the Plan the national grid is to be extended across the Main Range to the East Coast covering Bentong, Mentakab, Temerloh, Raub and Fraser's Hill by 1972 and Kuantan by 1974. Extension to other areas on the East Coast, such as Kota Bharu and Kuala Trengganu, will be timed to coincide with progress on other projects, the most important being the completion of the East-West Highway and the Temengor hydro-electric projects.

* Includes token provision for hydro-electric scheme.

† Includes administration, gas supplies and miscellaneous items.

676. One of the major objectives of the New Economic Policy is the dispersal of industries and the development of new industries in those areas of the country now largely dependent on traditional activities. A number of measures that have been designed to bring this about are described in other Chapters. Of importance is the availability of adequate power at reasonable rates in the areas involved. The absence of power availability will not be permitted to become the limiting factor even though grid extension or new individual plants may not be fully justified in strictly economic terms. The Government and the NEB will consider ways and means of meeting this problem to achieve the objectives of the New Economic Policy.

VI.—WATER SUPPLY: REVIEW OF PROGRESS, 1966-70

677. Satisfactory progress was achieved in the implementation of water supply projects in *West Malaysia* in 1966-70 despite delays encountered in the first two years in negotiating foreign financing for the major projects. Some revisions had also to be made in project design following additional detailed investigations. Progress on the smaller schemes, which were entirely financed from domestic funds, was not affected by these considerations. Projects undertaken included various improvements and extensions in Selangor, Negri Sembilan, Perak and Johore. Altogether they accounted for expenditure of $129.2 million for water supplies in West Malaysia compared to an allocation of $150 million (*see* Table 13-3).

TABLE 13-3

PUBLIC DEVELOPMENT EXPENDITURE ON WATER SUPPLIES, 1966-70

($ million)

	Original Plan allocation	*Actual expenditure*	*Achievement (%)*
West Malaysia	*150.0*	*129.2*	*86.1*
Urban supplies	101.0	87.3	86.4
Rural supplies	49.0	41.9	85.5
Sabah	*43.0*	*16.0*	*37.2*
Urban supplies	41.3*	7.9*	19.1
Rural supplies	1.7	8.1	476.5
Sarawak	*9.0*	*5.6*	*62.2*
Urban supplies	5.4	3.1	57.4
Rural supplies	3.6	2.5	69.4
Malaysia	*202.0*	*150.8*	*74.7*
Urban supplies	147.7	98.3	66.6
Rural supplies	54.3	52.5	96.7

* The Sandakan water supply scheme was modified so that the cost was revised from $40 million to $4.5 million.

678. During 1966-70, 40 new treatment plants (including those which serve FLDA land schemes) were completed. Extensions and improvements were made to existing plants. These resulted in an increase of 48 mgd (million gallons per day) treatment capacity. Service storage capacity was increased by 60 mg (million gallons), nearly 3,000 miles of 3″ diameter and larger pipelines were laid, and about 175,000 new consumer connections were given, benefitting an additional 1.15 million persons. At the end of 1970, there were 204 water supply systems in West Malaysia and about 4.5 million people using piped water. Total consumption averaged 164 mgd.

679. Construction has started on two major water projects, the Sungei Langat scheme to serve the Greater Kuala Lumpur area and the Sungei Muda scheme for the Penang and Province Wellesley areas. Both are being developed in phases. Phase I of the new Kuala Lumpur project, estimated to cost $23 million, involves the construction of the Sungei Langat scheme with treatment works, balancing and bulk terminal storage reservoirs and laying of trunk mains for the production and distribution of 14 mgd initially to Kuala Lumpur and the Klang Valley. The IBRD is providing a loan of $10.8 million to meet the foreign exchange costs of the project, which is scheduled for completion at the end of 1972.

680. The Sungei Muda project, aimed at providing 100 mgd to augment supplies to Province Wellesley and Penang, is to be developed in three phases. Phase I will provide 30 mgd by 1972 at a cost of $42.6 million, of which $21.6 million is being financed by a loan from the ADB.

681. A detailed study to improve the management and operations of water supplies following modern public utility practice was carried out for the State of Selangor. The recommendations which have been accepted include the setting up of a Water Supply Division within the PWD but with separate financial and accounting systems. Similar changes are to be introduced in Penang and Malacca. Other States which already have some form of water supply accounts will make appropriate modifications to bring them into line with the model developed for Selangor.

682. Of immediate concern is the acute shortage of senior and experienced staff required for implementing the programme and for the operation and maintenance of plant. The lack of technical supporting staff to carry out routine functions imposes a further burden on the few professional officers. The situation has resulted in inadequate attention to project planning and investigations so that improvisations often had to be made at the expense of economy in design and costs.

683. The major projects are designed and supervised by consultants, but this recourse obviously has certain disadvantages as it is not always possible to arrange adequate staff participation in the projects. The maintenance and operations of existing projects also suffer for lack of trained operating staff at various levels.

684. In East Malaysia, water supplies are operated by a separate section of the State PWD or semi-independent Water Boards under the chairmanship of the Director of Public Works. In *Sabah*, the Sandakan water supply scheme, estimated to cost over $40 million, was modified following favourable results of drilling for groundwater capable of supplying the needs of the town. Under Phase I of the groundwater scheme only $4.5 million was required for the installation of elevated water tanks and pumps. Altogether, about $16 million was spent on water supplies, with about $15.3 million financed by the State. Treatment capacity increased by 4.84 mgd with the completion of four projects. Some 22 towns with a total population of about 150,000 residents have piped water supplies while the remaining population of about 450,000 people is scattered in small villages and market centres, typically in dispersed individual houses.

685. In *Sarawak*, total expenditure is estimated at $5.6 million consisting of two major works completed: the Miri and Sarikei projects costing altogether $3.18 million. In addition, eight water supply systems for land development and resettlement schemes and nine institutional supply systems were completed. A pilot project to provide safe piped water in sufficient quantity at a low cost has been developed by the Medical and Public Health Department with the assistance of WHO/UNICEF. Altogether about 30,000 people from 126 such water supply systems benefitted under this scheme.

VII.—WATER SUPPLY PROGRAMMES UNDER THE SECOND MALAYSIA PLAN

686. The programmes for development of water supplies in *West Malaysia* under the Plan amount to $157 million, of which $88.87 million is accounted for by major continuation projects. This expenditure, representing an increase of about 21.5% over that of the First Malaysia Plan, will benefit an estimated additional 1.5 million people. The various projects can be classified into three broad categories. The first category is the major projects serving urban areas such as the completion of Phase I of the new Kuala Lumpur Water Supply and a start for the next phase estimated to cost $40 million; completion of the Sungei Muda project for Penang and Province Wellesley costing $23.27 million and a start on the Durian Tunggal

scheme for Malacca with a total cost of $28.6 million. This latter scheme is being financed partly from a loan of $15 million from the ADB while the cost of designing and supervision is being met from British Special Aid.

687. In the second category are several new and continuation projects to improve and extend supplies to meet demand resulting from population increase, housing development and, in certain areas, for industrial purposes. These are to be financed mainly from the resources of the respective State Governments and will cost about $53 million.

688. Included in this category are several projects which require further detailed investigation as to their technical and economic feasibility. The feasibility study of the Sungei Tebrau scheme in Johore, for example, is currently under preparation. This project is conceived as a multi-purpose project to provide access across Sungei Tebrau, a suitable source for industrial water and also a potential site for development of recreational facilities. The report on this project will be available in late 1971.

689. Similarly, proposals for extensions and new supplies to serve isolated areas in Negri Sembilan, Perak, Kedah and Perlis require further detailed study as to the availability of cheaper sources, especially in the form of groundwater. There has been no systematic investigation into possibilities of groundwater sources, which may prove more economical for small rural communities. Such an investigation will be undertaken as a Federally financed project.

690. Projects for Trengganu and Kelantan are confronted by the problem of salt intrusion into the water supply. Studies will be undertaken to determine the means of overcoming this problem.

691. The third category of projects, financed directly by the Federal Government, is for FLDA settlements. Nineteen new schemes are proposed, in addition to 26 continuation ones, to meet the water supply requirements in various schemes carried out by the FLDA. The total cost of the programme is $32.28 million of which $15 million will be spent during the Plan period. These projects are part of the social infrastructure in FLDA settlements and often account for a major portion of total village development costs. The groundwater resources study may suggest suitable sources in some of the FLDA projects.

692. The programme for *Sabah* amounts to $14.58 million to be spent mainly on extensions to existing supplies and on new supplies to serve

the needs of small communities such as Kudat, Semporna, Tenom and Lahad Datu. Phase II of the groundwater scheme for Sandakan will cost about $4 million and will yield 2 mgd, which is sufficient to meet demand up to 1975. The design and supervision of this project will be done by consultants.

693. The projects in *Sarawak* will cater for essential extensions and improvements to water supplies for isolated communities and new land development schemes.

694. In both Sabah and Sarawak almost all the funds required for implementing the projects will be met from the States' own resources, including those generated by the semi-autonomous Water Boards. Fluoridation has been introduced in these States as well as in Johore. The indications are that fluoridation is beneficial to dental care, especially among children, and consideration is being given to the introduction of fluoridation in future water supply schemes in other States of West Malaysia.

VIII.—FINANCING OF THE WATER SUPPLY PROGRAMME

695. As stated in paragraphs 679 and 680 the continuing major projects are being financed from IBRD and ADB loans. Most of the other schemes will be financed from the resources of the State Governments, except for the FLDA which receives direct Federal funds.

696. At present, water rates are generally uniform throughout West Malaysia, with domestic consumers being charged a dollar per thousand gallons in all States, except Perak, Penang and Malacca, where the rates are lower. The rates for non-domestic consumers range from one dollar to two dollars per thousand gallons. In East Malaysia, the rate is two dollars per thousand gallons. Water revenues in West Malaysia have increased steadily from about $17.6 million in 1960 to $26.4 million in 1965 and about $49 million in 1970.

697. Since most of the supplies cover large areas, the systems not only generally serve urban residents but also benefit the population in the adjoining rural areas. Such systems, which sometimes extend beyond State boundaries, have brought the benefits of piped water supplies to rural communities which would be unable to support separate water systems of their own.

698. Table 13-4 shows the allocation for water supply development under the Second Malaysia Plan.

TABLE 13-4

ALLOCATION FOR WATER SUPPLIES, 1971-75

($ million)

West Malaysia	*157.00*
Major urban supplies:	
(*a*) Kuala Lumpur I	17.00
(*b*) Penang I	23.30
(*c*) Kuala Lumpur II	20.00
(*d*) Malacca	28.60
New and continuation projects financed from Federal and State sources	53.10
Water supplies to FLDA schemes	15.00
Sabah	*14.58*
Extension to existing urban supplies, Kota Kinabalu and Tawau	0.08
Underground Water Supply I, Sandakan	1.20
Water supplies to Kudat, Semporna, Tenom, Beaufort, Membakut, West Lingkuangan, Kunak, Bingkor, Tambunan, Kuala Penyu, Lahad Datu, Labuan, Nabawan, Kerakit and Bandau	8.00
Underground Water Supply II, Sandakan	4.00
Minor supplies and extensions of water mains—10 minor townships and rural supplies	(10)*
Extension and interconnection of Tuaran and Tamparuli supplies	0.80
Investigation and drillings	0.50
Sarawak	*12.17*
Miri and Sarikei schemes	0.68
Simanggang scheme	0.80
Lubai Tengah Village	0.15
Supplies to new land development schemes	0.39
Limbang scheme	0.29
Bintulu scheme	0.86
Minor schemes (between $250,000 and $1 million)	9.00
Total	183.75

* Token provision.

CHAPTER XIV

Education and Training

I.—INTRODUCTION

699. The discussion in Chapter VII clearly indicates that the realisation of the full potential of the vast human resources of the country is a basic challenge in national development. While economic expansion will have to proceed vigorously to provide productive employment for school-leavers, the education and training systems will have to be geared more effectively to enhancing such absorption and to producing adequate numbers of those skilled personnel necessary for the implementation of the New Economic Policy.

700. Besides having a strong manpower orientation, education and training programmes will contribute significantly towards promoting national unity. They will play a vital role in increasing the productivity and income of all Malaysians, as well as in the greater urbanisation of the Malays and other indigenous people by facilitating their participation in modern economic activities.

701. A major objective in the Second Malaysia Plan period will be the consolidation of the education system so as to make it an efficient vehicle for the achievement of these important objectives of national development. Curricula, teaching methods, staffing, classroom facilities and other aspects will be subject to close review for this purpose.

702. The following Sections review the progress and problems in this field during the First Malaysia Plan period and set out the specific programme improvements envisaged during 1971-75.

II.—REVIEW OF PROGRESS, 1966-70

1. EDUCATION

703. *West Malaysia.* Under the First Malaysia Plan a number of policy decisions were taken which resulted in modifications to the education programme. These included:

(i) the extension of the concept of basic education to include not only the primary cycle but also three years of lower secondary education;

(ii) the reorganisation of the pattern of secondary education with the introduction of comprehensive and post-comprehensive education; and

(iii) the shift towards a better balance between general academic education, on the one hand, and vocational, technical and science education, on the other.

Developments in the education system in West Malaysia are summarised in Table 14-1.

TABLE 14-1

DEVELOPMENT IN THE EDUCATION SYSTEM, WEST MALAYSIA, 1965-70

Level of Education	*1965*		*1970*		*Increase/Decrease 1965-70*	
	No. of Institutions	*Enrolment*	*No. of Institutions*	*Enrolment*	*Enrolment*	
					No.	*%*
Primary Level	4,366	*1,217,309*	4,382	*1,421,469*	*204,160*	*16.8*
(Percentage of all levels) ..		80.75%		74.15%		
Secondary Level	*755*	*277,255*	*747*	*479,065*	*201,810*	*72.8*
Lower Secondary		231,555		378,535	146,980	63.5
Upper Secondary		*42,163*		*89,435*	*47,272*	*112.1*
(*a*) Arts and Science ..		40,755		84,925	44,170	108.4
(*b*) Technical		855		1,838	983	115.0
(*c*) Vocational		553		2,672	2,119	383.2
Sixth Form		*3,537*		*11,095*	*7,558*	*213.7*
(*a*) Arts		1,668		5,290	3,622	217.1
(*b*) Science		1,869		5,350	3,481	186.2
(*c*) Vocational		Nil		455	455	
(Percentage of all levels) ..		18.39%		25.00%		
Teacher Training	*44*	*9,114*	*11*	*2,671*	– *6,443*	– *70.7*
Primary	16	4,691	6	1,307	– 3,384	– 72.1
Secondary	28	4,423	5	1,364	– 3,059	– 69.2
(Percentage of all levels) ..		0.60%		0.14%		

TABLE 14-1—(*cont.*)

DEVELOPMENT IN THE EDUCATION SYSTEM, WEST MALAYSIA, 1965-70

Level of Education	*1965*		*1970*		*Increase/ Decrease 1965-70*	
	No. of Institutions	*Enrolment*	*No. of Institutions*	*Enrolment*	*Enrolment*	
					No.	*%*
College Level	*3*	*1,016*	*5*	*5,228*	*4,212*	*414.6*
Technical College*	1	684	1	943	259	37.9
College of Agriculture ..	1	113	1	586	473	418.6
Ungku Omar Polytechnic ..	Nil	Nil	1	290	290	
MARA Institute of Technology*	1	219	1	2,375	2,156	984.5
Tunku Abdul Rahman College	Nil	Nil	1	1,034	1,034	
(Percentage of all levels) ..		0.07%		0.27%		
University Level	*1*	*2,835*	*3*	*8,505*	*5,670*	*200.0*
University of Malaya ..	1	2,835	1	8,052	5,217	184.0
University at Penang ..	Nil	Nil	1	262	262	
Universiti Kebangsaan ..	Nil	Nil	1	191	191	
(Percentage of all levels) ..		0.19%		0.44%		

704. Impressive strides were made in *primary education,* as reflected by improved survival rates and growth in enrolments by nearly 17% over the five-year period. By 1970, over 90% of the primary school-age population was enrolled. An additional 3,830 classrooms were constructed under the First Malaysia Plan. While the number of schools increased from 4,366 to 4,382, the main effort was concentrated in the replacement of sub-standard schools and the amalgamation of under-utilised schools, mainly in the rural areas. About 80% of all primary schools are in the rural areas.

705. Opportunities and facilities for *secondary level education,* covering the lower secondary, upper secondary and Sixth Form levels, were greatly expanded. Enrolments at these levels grew over 70% during the period. In all, 3,395 classrooms, 494 science laboratories and 153 workshops were constructed. The number of secondary vocational schools and secondary technical schools also increased. About 55% of the secondary schools are in rural areas. Overall, 68% of students completing primary level education proceeded to the secondary level.

* Including some training at university/professional level.

706. Under the *teacher training* programme, a total of 7,500 primary school teachers, 7,450 secondary school teachers and 739 specialist teachers were trained. This supply was adequate to meet the requirements for teachers at the primary and lower secondary levels. With the upward revision in the pupil-teacher ratio in primary and lower secondary education, the teacher training programme was phased down considerably. However, the output of trained graduate teachers, particularly for science and mathematics, for upper and post-secondary education, continued to lag behind total requirements despite the fact that over 2,000 such teachers were trained locally and abroad during the period.

707. At the *College* level, teaching facilities and the scope of courses offered at the Technical College, Kuala Lumpur, were improved to meet the needs of its enrolment growth of nearly 38% in the five years. Much of the expansion, however, occurred in the latter part of the period and 1970 output from the College was only 198 compared to the 1965 level of 160. The Ungku Omar Polytechnic, established in 1969, had its first intake of 290 students. The expansion programme envisaged for the College of Agriculture, Serdang, was fully achieved by mid-1970. Enrolments in the College increased more than five-fold. The College's target of producing 160 graduates per year was met in 1970.

708. *University education* in Malaysia expanded dramatically during 1966-70. Not only did the University of Malaya more than double its enrolment, two other Universities, the Universiti Kebangsaan and the University at Penang, were also established. However, given the short period over which such expansion took place, the Universities faced a number of problems. While the University of Malaya was able to expand physical facilities to accommodate the increased enrolment, the two other universities had not found sufficient facilities or instructors to provide for the desired student intakes. Further, science and technology enrolments lagged behind those in arts and humanities.

709. At the University of Malaya, the Plan target enrolment of 7,000 was exceeded when the student population reached 8,052 in the 1970/71 session. Of these, 1,363 were in Science, 324 in Agriculture, 392 in Engineering and 631 in Medicine. Some 275 were studying for post-graduate degrees. Of the remainder, 1,360 were in the Faculty of Economics and Administration. The first batch of 61 doctors graduated from the Medical Faculty in 1969. A Diploma course in Public Administration was also started at the University of Malaya to provide graduate level training for

public service officials. The first class of 24 graduated in 1970. Physical facilities for teaching, administration and residence at the University were greatly increased.

710. The University at Penang began with an intake of 60 science students in 1969 and increased its enrolment to 262 in the 1970/71 session, more than two-thirds of them in science. The Universiti Kebangsaan had its first intake of 191 students, including 37 students in the science course.

711. *East Malaysia.* The enrolment and output targets for educational development in East Malaysia in the Plan were also largely met. Actual development expenditure, however, was only 61% of the allocation for Sabah and 57% for Sarawak. Much of the increase in enrolment was achieved through more intensive use of existing facilities.

712. In *Sarawak,* the Plan objective of providing three years of secondary education to about 30% of pupils completing Primary Six and a further two years of secondary education to about 50% of those completing Form Three was fulfilled. Enrolment in schools increased as follows:

	1965	1970	Increase (%)
Primary	119,400	153,600	28.6
Secondary	13,000	22,100	70.0

In addition to the construction of 16 new Government secondary schools and 260 classrooms, extensions were made to 57 schools.

713. With the establishment of the new Teacher Training College at Rajang, with assistance from the New Zealand Government, teacher training enrolment in Sarawak increased by 50% to over 700 in 1970.

714. In *Sabah,* primary and secondary enrolments expanded as follows:

	1965	1970	Increase (%)
Primary	86,413	128,500	48.7
Secondary	11,422	32,281	182.6

At the primary level, 853 classrooms were constructed, while 347 classrooms, 48 specialist rooms and 56 science laboratories were constructed at the secondary level; 450 teachers' quarters and 20 student hostels were also built.

715. The extensions undertaken to Kent College and Gaya College enabled the two Colleges to expand enrolments to 320 and 330 teacher trainees respectively. The total output of teachers during the period from these Colleges and the Native Voluntary Teachers' Training College, Tanjong Aru, was 1,314 of whom 189 were lower secondary teachers.

2. OTHER EDUCATION PROGRAMMES

716. Apart from the development in the formal education system under the Ministry of Education, described above, a number of important developments took place outside this system during the period.

717. The educational programme sponsored by MARA in the *MARA Institute of Technology (ITM)* expanded at a rate much beyond that originally envisaged in the Plan. Enrolment increased nearly ten-fold, while 816 students graduated from the ITM during the period. The ITM offered a total of 44 courses of study in its ten schools, including Accountancy and Finance, Computer Science, Agriculture, Engineering, Hotel and Catering Management, Library Science and Pre-University Studies. Most of these courses were offered at the sub-professional level, with provision for some training at the professional level, leading to recognised external degrees or the ITM's Diplomas.

718. The inadequacy of residential and teaching facilities, shortages of instructors and wastage among students posed difficult problems for the ITM during this period of expansion. However, at the end of the period under review steps were being taken to resolve these problems. A sum of $600,000 was expended on extensions and renovations to the ITM at Petaling Jaya, while work was begun on its new premises at Shah Alam. In 1965, there were only 12 full-time staff, but the staff strength had increased to nearly 200 in 1970, with ten overseas volunteers assisting as well.

719. Besides the education programme at ITM, MARA's *Training Division* expended some $12 million in providing 993 scholarships and 743 loan awards to qualified persons for study in local and overseas institutions.

720. The *Tunku Abdul Rahman College,* which receives Government support, had its first intake of 510 students in 1969 in its School of Pre-University Studies. Enrolment increased to 1,034 in 1970, with 643 students

in Science and 391 in Arts. Pending the construction of its own premises, the College uses the facilities of two educational buildings under the Ministry of Education.

3. TRAINING PROGRAMMES

721. The First Malaysia Plan envisaged that the formal education system would carry the main responsibility for producing the manpower needed for economic and social development. Training institutions, both public and private, were expected to cater for the needs of the economy for management, business and technical skills. The main thrust of the Plan in this regard was to make full use of the training facilities available, expand them where necessary and co-ordinate their activities with the general school system. While the education system continued to expand and diversify, increasing attention was paid during the course of the Plan to the training of personnel outside the school system. Both in the public and private sectors, management and technical training came to be increasingly emphasised. These programmes are described below.

722. *Management Training.* The *National Productivity Centre,* established in 1962 and constituted into a quasi-autonomous body in 1967, offered greatly diversified facilities for short-term courses and seminars in various aspects of management. Apart from the basic programmes in the four sections of the Centre—Management Development, Sales and Marketing, Industrial Engineering and Light Industry Services, and Industrial Relations—special courses were also conducted in such areas as supervisory training, operations research and plantation management. Over 330 courses and seminars for nearly 5,200 participants were conducted in the Centre during the Plan period.

723. The *Management Institute of Malaysia,* launched by the private sector in 1966, was also actively involved in the development of business management skills. The Institute conducted a number of seminars and courses for both public and private sector management personnel during the period.

724. As a result of a study on training for development in the public services, carried out by the Development Administration Unit, a Training and Career Development Division was created in the Public Services

Department in 1969. *The Government Staff Training Centre* was expanded and the number and content of courses offered were considerably improved. A sizable overseas training programme at post-graduate level for public service officials was also launched, with the assistance of the United Nations, Colombo Plan and the Ford Foundation. All these programmes helped supplement the management training programmes at ITM and the University of Malaya, as well as overseas.

725. *Industrial Training.* The First Malaysia Plan envisaged an expanded role for the Ministry of Labour and Manpower in the training of craftsmen and artisans. MARA and the National Youth Pioneer Corps were also called upon to undertake training at these levels as part of the measures to intensify industrial and trade training.

726. The *Industrial Training Institute (ITI)* of the Ministry of Labour and Manpower, situated in Kuala Lumpur, was expanded to increase intakes for its apprenticeship training programme and to provide preparatory trade courses for school-leavers. The ITI offers courses in the mechanical and electrical engineering, printing and building trades. Workshop and residential facilities at the Institute were enlarged and construction of another four-storey block to house the instructor training programme was started. Construction of a second ITI at Prai was started in 1970. Altogether, 1,100 apprentices underwent training during the period, while about 500 youths completed the preparatory trade training programme. A special accelerated programme to upgrade the skill standard of workers already employed in industry was also started in 1968. Employers sponsored 100 workers for this programme during 1968-70. The duration of apprenticeship training was reduced from five years to four years to bring the programme into line with progressive schemes elsewhere.

727. To overcome the shortage of suitable instructors, not only at the ITI but also in other public training institutions and for in-plant training in industry, the *Training Service* of the Manpower Department, with UNDP/SF assistance, started an instructor training programme in late 1968. A total of 72 instructors participated in the programme during the ensuing two years. Another 45 personnel from the public and private sectors were trained in 1970 under a part-time instructor training programme.

728. The contribution of the *Training Division of MARA* in this field has been significant. During the period under review, it established four Vocational Institutes, at Malacca, Alor Star, Kuala Trengganu and Petaling Jaya.

The courses offered at these Institutes ranged from mechanical and automobile engineering in Malacca to radio and television servicing at Petaling Jaya. The training is designed to introduce and inculcate a sufficient level of trade and craft skill to rural Malays and other indigenous youths to enable them to obtain productive employment. A total of 506 youths were provided full-time training through these Institutes. Some 240 youths were also trained at vocational institutes in Japan, India and the Federal Republic of Germany under MARA sponsorship. A programme of on-the-job training for selected Malay youths in various workshops in the private and public sectors was also introduced. MARA provided these youths with a subsistence allowance during the period of training, which varied from six months to two years. About 2,650 youths benefitted from such training during the period.

729. The *National Youth Pioneer Corps (NYPC)* was established in 1966 to provide disciplinary and skill training for youths who could not normally gain admission into other formal training programmes because of their educational standards. It conducted training in eight trades, ranging from motor mechanics, tractor driving and maintenance to tailoring. Under this programme, the recruits undergo two months of disciplinary training, followed by four months in the Works Section of the Corps. On completion of this, they are assigned for up to twelve months of training in the various trades.

730. Up to the end of 1970, a total of 2,576 trainees had been enrolled in the NYPC and 351 had completed their period of training. A number of problems facing the NYPC, however, limited its effectiveness and expansion. One difficulty was the limitation of space and facilities at its present site at Dusun Tua. As was the case with other training institutions, the NYPC faced severe problems in obtaining suitable instructors. Though only 351 trainees actually completed their training under the Corps, some 700 others left the Corps on being offered employment before completion of their course. At the end of the period, these problems and the future programmes of the NYPC were being studied in order to make improvements in this important area of youth development.

731. Table 14-2 summarises the allocation made in the First Malaysia Plan to education and training programmes and the actual amounts expended.

TABLE 14-2

DEVELOPMENT EXPENDITURE ON EDUCATION AND TRAINING, 1966-70

($ million)

	Original Plan allocation	*Estimated actual expenditure*	*Achievement (%)*
Ministry of Education	*439.3*	*255.6*	*58.2*
West Malaysia	*366.5*	*213.1*	*58.1*
Primary	54.6	48.5	88.8
Secondary	188.7	100.7	53.4
Technical	30.8	10.8	35.1
University	30.0	24.4	81.3
Teacher Training	28.5	9.7	34.0
Other Programmes	33.9	19.0	56.0
East Malaysia	*72.8*	*42.5*	*58.4*
Sabah	27.2	16.5	60.7
Sarawak	45.6	26.0	57.0
Other agencies	*31.5*	*73.8*	*234.3*
Ministry of Labour	1.5	0.8	53.3
MARA Training Division ...	26.0	64.0	246.2
ITM	4.0	9.0	225.0
Total ...	470.8	329.4	70.0

III.—PROGRAMMES UNDER THE SECOND MALAYSIA PLAN

1. OBJECTIVES

732. The overall and long-term objectives of the education and training programme set out in the First Malaysia Plan will continue to guide development under the Second Malaysia Plan. Programme improvements in 1971-75 will, however, concentrate on four major areas:

(i) consolidation of the education system to promote national integration and unity;

(ii) orientation and expansion of education and training programmes towards meeting the manpower needs of the country;

(iii) improvement of the quality of education for the building of a progressive society oriented towards modern science and technology; and

(iv) improvement of the research, planning and implementation capability to meet the above objectives.

These objectives are, to a great extent, inter-related and will, therefore, be carried forward in a comprehensive way. However, certain features of the programmes in respect of each of these main objectives may be summarised here.

733. The main programmes in respect of national integration and unity are:

(i) the implementation, in stages, of Bahasa Malaysia as the main medium of instruction in schools;

(ii) closing the gap in educational opportunities among regions and races; and

(iii) the eventual integration of the education systems of the East Malaysian States with the national system.

As regards the manpower orientation of the programmes, the Second Malaysia Plan period will see improvements in the co-ordination of these programmes, a sharper definition of their methods and objectives and expansion in areas of critical manpower needs. Improvements in the quality of education will be designed to make education progressive. This will be done through reduction of wastage rates throughout the system, more intensive evaluation and improvements of curricula, teaching methods, facilities, teacher-pupil ratios and through achievement of a better balance between general education and science and technological subjects.

2. MINISTRY OF EDUCATION PROGRAMMES

734. *Primary Education.* Under the primary education programme, a full 95% of children of school-going age enrol in Primary One and nearly 90% of those who enter complete the primary cycle. However, the teaching facilities and survival rates are still not uniformly satisfactory throughout the various regions. In the Second Malaysia Plan the Government will continue its policy of providing nine years of schooling for every child. The Government will also seek to enhance the quality of primary

education through improvements in content and teaching methods, increases in teacher supply, provision of supporting services and expansion of classroom facilities.

735. In West Malaysia, classroom facilities and teacher supply will be further expanded and improved substantially in the rural areas to meet the projected increase in enrolments from the present 1,421,469 to 1,605,000 by 1975. In Sarawak, provision has been made for the creation of an additional 24,000 places in primary schools. In Sabah, plans are to construct 778 classrooms in Government schools and a further 100 in aided schools.

736. *Secondary Education.* Enrolment in all streams of upper and post-secondary education has been expanded rapidly in response to strong demand for places at these levels. In 1970, 49% of those completing lower secondary education in West Malaysia proceeded to the next level, while 14% of those successfully completing the upper secondary level were admitted to Sixth Form education.

737. The diversification of secondary education and the pressure of demand for places at these levels posed severe strains on the system in respect of physical facilities and teachers. Provision has been made in the Plan for the projected expansion of enrolment in West Malaysia at all these levels of education, as indicated below:

	Enrolment		
	1970	*1975*	*Increase (%)*
Lower Secondary	378,535	537,000	42
Upper Secondary	84,925	140,000	65
Sixth Form	11,095	16,000	44

An important project in the Plan is the establishment of ten pilot residential secondary science schools to provide added educational opportunities for pupils from rural areas to pursue their education in science subjects. Further details of these ten schools are given in paragraph 755.

738. In Sabah, extensions will be made to ten schools, and six new schools will be constructed to cope with projected enrolment increase from the present 14,597 to 28,600 in 1975 in Government secondary schools. Two of the extension projects and three of the new schools are part of a World Bank assisted project. One replacement and 18 extension projects will also be undertaken in aided secondary schools. A Junior College, for Sixth Form education, will also be established, providing for an enrolment of 660 students.

739. In Sarawak, seven new Government secondary schools will be constructed and extensions made to 32 schools. Replacements and extensions will also be undertaken in 23 aided secondary schools.

740. *Upper Secondary Technical and Vocational Education.* In West Malaysia, seven new vocational schools will be constructed, six of them with World Bank loan finance. Six new secondary technical schools will also be constructed; five of them are World Bank assisted projects. Progress in technical and vocational education, held back in the First Malaysia Plan period as a result of unforeseen delays in finalising the loan agreements with the World Bank, will therefore be rapid under the current Plan. Enrolments are expected to increase from 4,510 in 1970 to 12,830 in 1975.

741. In Sabah, the Likas Vocational School and the Sandakan Specialist Trade Centre will be expanded. The former, which opened in January, 1969, will have its full enrolment of 192 trainees by 1971. Annual outputs are expected at 64 per year. The proposed expansion of the latter will enable intake to increase from its present level of 70 to 192 trainees. In Sarawak, the vocational schools will cater for 180 trainees per year.

742. *Higher Education.* In the development of higher education, the basic decisions to establish institutions and to expand enrolments have already been taken and some of the physical facilities to cope with these expansions are already in place or planned. Investment programmes in higher education are, therefore, continuation programmes. The one exception to this is the Agriculture University, which will have its first intake in 1973.

743. Enrolments at this level of education are projected as follows:

	Enrolment		
	1970	*1975*	*Increase (%)*
College Level			
Technical College	943	1,400	48.5
Ungku Omar Polytechnic	290	1,540	431.0
College of Agriculture	586	1,080	84.3
University Level			
University of Malaya	8,052	8,000	–0.6
Universiti Kebangsaan	191	2,850	1,392.1
University at Penang	262	2,280	770.2

744. At the College level, funds are provided for the expansion programmes in the *Technical College*, the *Ungku Omar Polytechnic* and the *College of Agriculture*. The investment programmes at the College of Agriculture and the Technical College also include provision for the introduction of two-tier Diploma and Degree programmes under the aegis of the Agriculture University and the proposed College of Technology, respectively.

745. An allocation of $11.05 million has been provided for the expansion programme of the *University of Malaya*. The main project is construction of a complex to accommodate such programmes as the Graduate Study Centre, the Electron Microscope Centre and the Students Admission Centre. Extension will be made to the Faculties of Economics and Administration, Education, Agriculture and Engineering and to the Sixth College. A new Seventh Residential College is also planned. In addition, provision is made for the expansion of the Medical Faculty and the establishment of a Faculty of Dentistry (*see* Chapter XV).

746. Both the University at Penang and the Universiti Kebangsaan are now housed in borrowed premises which have inhibited planned expansions in enrolments and courses of study. Both Universities will obtain their own campuses during the Second Malaysia Plan period.

747. Under the development programme of the *Universiti Kebangsaan* construction projects to cater for the enrolment increase to 2,850 by 1975 are planned. The Universiti Kebangsaan will eventually include Faculties of Medicine, Engineering and Economics and Commerce in addition to the present Faculties of Science, Arts and Islam. An Institute of Malay Language, Literature and Culture, a Library, an Administration Complex and three Residential Colleges will also be constructed. An amount of $40 million has been provided for this University.

748. The *University at Penang* is now preparing a master site plan to develop the recently acquired Minden Barracks site. An amount of $18 million has been provided for this purpose. When completed, the University will have facilities for the School of Biological Sciences, the School of Chemical Science, the School of Physics and Mathematics, the School of Cultural and Community Studies, a Centre for Educational Services, Lecture Theatres, Residential Halls and a Student Centre. The University will continue to use the facilities at the Malayan Teachers College until its new campus has been developed.

749. *Teacher training.* The teacher training programme will concentrate on upgrading the standards and quality of the output of teachers from the training colleges and providing intensive in-service Bahasa Malaysia training courses for primary and secondary school teachers to enhance their competence to teach in the language. The other major effort in the training programme will be to increase the output of science and mathematics teachers to cope with the anticipated demand. Present facilities are adequate to cater for the average annual intake of 870 and 700 trainees, respectively, in the primary and secondary teacher colleges during the period.

750. Apart from the expanded graduate teacher training programme at the Faculty of Education of the University of Malaya and the graduate teachers returning from overseas institutions, the University at Penang and the Universiti Kebangsaan will also produce a small but growing number of graduate teachers. The overall teacher supply and demand situation in West Malaysia is discussed in Chapter VII.

751. In Sabah, extensions will be made to the Kent College, Tuaran and the Gaya College, Kota Kinabalu, while work on the Teacher Training College in Sandakan and the Native Voluntary Schools Teachers' Training Centre, Tanjong Aru, will be completed. In Sarawak, the programmes will cover extension works to the Batu Lintang Training College and the Rajang Teachers College. These extensions will provide sufficient capacity for the training of primary and secondary teachers required in both these States.

3. SPECIAL PROGRAMMES AND MEASURES IN EDUCATION

752. *Bahasa Malaysia.* A plan has already been adopted for the introduction of Bahasa Malaysia in stages as the main medium of instruction in West Malaysia. This plan, which spells out the time phasing of implementation, also establishes English as a second language in all schools. This phased programme, already in operation, envisages that by 1975 all subjects, except English and other languages, will be taught in Bahasa Malaysia at the primary level in all English medium primary schools, and by 1982 secondary education, including Form Six, will be in that medium. Consequently, by 1983, all courses, other than languages, for new admission to Universities will be conducted in Bahasa Malaysia. Plans for the greater use of Bahasa Malaysia in schools have also been drawn up in Sabah and Sarawak.

753. *Improved educational opportunities.* One of the basic aims of national development in Malaysia's multi-racial society is the promotion of

equal opportunities for people of all races to participate in and benefit from the modernising of the economy and consequent raising of productivity and income. In this regard, education is seen as one of the most powerful measures.

754. The Second Malaysia Plan period will see the availability of more educational opportunities to the disadvantaged groups, in particular, the rural children and the poor. More emphasis will be given to improving the quality of education available to these children. The rural school improvement programme has also made significant progress, with increasing facilities being provided for secondary education and education in science and technical subjects. However, the vast spread of the programme, the difficulties in attracting and retaining suitable and sufficient teachers for these schools and the problems encountered in equipping rural schools to the high standards already obtaining in most urban areas have limited the impact of the programme.

755. In the Second Malaysia Plan, therefore, provision has been made for ten pilot residential secondary science schools to be established in suitable locations. Each school will have an enrolment of 1,200 students, predominantly from the rural areas, with residential facilities for approximately 70% of the students. Selection of students for these pilot schools will be made on the basis of the Standard Five Assessment Test. The teaching of science, mathematics and other technical subjects will be the main emphasis, but students will sit for the national examinations common to all schools. The programme will be kept flexible and the curriculum will be adjusted to suit its objectives and requirements. It is intended, through such schools, to provide a concentration of attention and resources not easily achieved through the general education programme.

756. In addition to the introduction of these special schools, other programmes of improvement of rural schools will also be implemented. Considerable sums have been provided for general improvements in the availability and quality of education in the rural areas through construction of new schools and additional hostel facilities, replacement of sub-standard schools and supply of workshop and laboratory equipment.

757. The teacher supply to rural areas will also be improved following the adoption of the recommendations in the Report of the Royal Commission on the Teaching Services.

4. EDUCATION RESEARCH AND PLANNING

758. Improvement in the quality of education throughout the system requires continuing research and evaluation of the present system in terms of its performance relative to the objectives of the education system and its cost. Some of these studies have already led to projects to improve the education system, while other studies are underway.

759. The Plan provides for the establishment of a *Science Education Centre* in Kuala Lumpur to serve as the nerve centre for improvements in the curriculum and teaching of science and mathematics. It is planned that the Centre will consist of three units: the Biological Materials Unit, the Design, Testing and Prototype Equipment Unit and the Special Services Unit. The three Units will deal with the preparation of materials for practical laboratory work and tests, and the development of various equipment for use in the teaching of science. The Special Services Unit will be mainly responsible for the development and modification of the science and mathematics curricula, effective methods of their teaching in schools and the provision of in-service training, seminars and guidance notes for science and mathematics teachers. In the development of its work, the Centre will work closely with the Regional Centre for Science and Mathematics (RECSAM) in Penang and the Universities. The present special project in science and mathematics education in primary schools will be integrated into the Special Services Unit of the Centre. The establishment of the Centre reflects the importance attached to science and mathematics education in the country. The Centre will assist significantly in upgrading the teaching of these subjects in the schools.

760. Based on the success of the pilot educational telecasts in the previous Plan period, an *Educational Television Service (ETV)* will be launched in 1972 to provide programmes for primary and secondary schools, particularly in civics, languages, science and mathematics. ETV will reach an estimated 215 primary schools and 265 secondary schools, covering 86,000 and 418,000 pupils, respectively, in both urban and rural areas. To derive maximum benefit from this educational technology, ETV will be given adequate staff and research support.

761. Among the issues that will be closely reviewed are the pupil-teacher ratio in primary and lower secondary schools; better methods of evaluating the progress and performance of pupils through the primary and lower secondary cycles and the remedial steps that might be taken; reduction of

wastage rates, particularly in primary schools in rural areas; and closer integration of the community with activities in schools, especially the use of school facilities after school hours by pupils as well as adults.

762. A key question that will also be reappraised is the strategy of secondary education for meeting manpower needs and providing school-leavers with basic skills for employment. The present comprehensive lower secondary schools and upper secondary vocational schools were designed to acquaint students with some pre-vocational skills in a situation under which increasing numbers of school-leavers were finding it difficult to obtain any employment while prevalent skill shortages were inhibiting industrial and employment expansion. Detailed studies to assess the full impact of such education are being made, particularly of vocational education at the upper secondary level.

763. The present vocational system, while advanced in its content, needs to be studied in the context of the requirements of commerce and industry. An appraisal of the existing system will evaluate the relevance of the material to the school-leavers' ability to obtain employment and to perform well on the job. Other aspects of the system, including the role of placement activities, guidance and labour market information, will also be investigated. Alternative approaches, including skill training by industry itself or jointly with formal institutions, will be compared in terms of their cost effectiveness. The objectives of this form of education will be the focus of continuous evaluation and adjustment.

5. OTHER EDUCATION PROGRAMMES

764. The *MARA Institute of Technology (ITM)*, established to provide more higher educational facilities for rural Malays and other indigenous students, will be substantially expanded during 1971-75. The ITM's new premises at Shah Alam are being developed and were already partly occupied in 1970. When the whole complex is completed, the ITM will be able to expand its enrolment further to 4,500 by 1975. In addition to the courses described in paragraph 717, new courses in Fine Arts, Journalism, Food Technology, Languages and a Bachelor of Science course leading to an external degree will also be introduced. With a substantial teacher training programme already underway, it is anticipated that staffing problems will be resolved during the Plan period. Increasingly, the ITM's attention will be devoted to consolidating the instruction programme and courses of study now provided so that it will continue to play a vital role

in preparing Malays and other indigenous people for greater participation in modern commerce and industry.

765. Provision has been made for MARA to establish a Junior College to provide upper secondary and Sixth Form education so as to relieve the problem faced by other educational institutions, including the ITM, in finding an adequate supply of suitably qualified Malay candidates.

766. The *Tunku Abdul Rahman College* will receive capital grant assistance for its new premises. Enrolment at the College is expected to reach its optimum level of 4,300 by 1975. Of these 1,600 will be enrolled in the School of Pre-University Studies, while the School of Arts and Science will offer a programme for 1,100 students with emphasis on the physical and biological sciences, leading to external degrees. The Schools of Technology and Business Studies will have 1,000 and 600 students, respectively, in the three-year programme.

6. TRAINING PROGRAMMES

767. The most significant development in the training programme during the Plan period will involve the increased role of the *Manpower Department* of the Ministry of Labour and Manpower, in formal apprenticeship and preparatory industrial training at the Industrial Training Institutes (ITI's), in sponsoring in-plant training within industry and in providing co-ordination and general supporting services for the national training effort.

768. The expansion of facilities at the ITI, Kuala Lumpur, will be completed in 1971, while construction of the new ITI in Prai will be completed in 1972, with the assistance of the Federal Republic of Germany. Together, these Institutes will provide training for some 4,420 apprentices in 18 different trades during the Plan period. Work on preparing the national trade syllabi will be completed in 1972. While output of trainees from the preparatory trade training courses is expected to total 2,540 during the period, a shift in emphasis towards greater industry participation is expected to reduce the need to hold trade upgrading courses within the Institute itself. This will permit expansion of preparatory trade courses to cater for a greater number of school-leavers.

769. Preparations are underway for the introduction of extensive skill upgrading courses to be conducted within industrial establishments themselves. The Training Service of the Manpower Department will undertake

the training of sizable numbers of instructors sponsored by industry to conduct these courses. In fact, some such instructors have already been trained and a pilot in-plant group training project with ten participating establishments is now being conducted in collaboration with the private sector. The Government anticipates that in-plant training will be a substantial effort during the Plan period to meet, in large measure, industry's requirements for skilled craftsmen, process and semi-skilled production workers. The Government will discuss proposals with industry for expanded in-plant training programmes, both in Malaysia and overseas, including the question of financial assistance and other incentives.

770. The *Vocational Institutes of MARA* and *MARA's on-the-job training programme* will continue to expand so as to enhance opportunities for rural Malays and other indigenous people in skilled employment in industry. A further three Vocational Institutes, to be situated at Shah Alam, Sungei Petani and Kuantan, are to be established during the period.

771. The main efforts of the *National Youth Pioneer Corps* will be concentrated on improvement of its standards of training and the placement of its trainees in productive employment. In this it will work closely with the Ministry of Labour and Manpower. The Corps will also undertake the training of youths to meet the specific requirements of user public agencies. For example, it will train field supervisors for youth and other land settlement schemes.

772. The Government has established a National Advisory Council on Industrial Training. This Council will be charged with the primary responsibility of bringing about closer co-operation and co-ordination between industry and Government in the field of training. Representation on the Council includes selected Government agencies and representatives of the various sub-sectors of industry.

773. A Malaysian National Trade Certification Board has also been established in the Ministry of Labour and Manpower, consisting of representatives of the Government, industry and workers. The function of the Board is to evaluate and certify levels of skills achieved by individual workers so as to ensure uniformity or comparability of trade standards. This step in itself is likely to be of great value in encouraging and developing training and skill improvement in both the public and private sectors.

774. Table 14-3 sets out the allocation for education and training programmes in the Second Malaysia Plan.

TABLE 14-3

ALLOCATION FOR EDUCATION AND TRAINING, 1971-75

($ million)

West Malaysia	*458.89*
Ministry of Education	*370.11*
Primary	55.09
Secondary	154.43
Technical and Vocational	32.00
Technical (post-secondary)	10.86
University	87.05
Teacher Training	3.00
Other Education (including ETV)	27.68
Other agencies	*88.78*
Ministry of Labour and Manpower	3.70
MARA	42.20
ITM	42.88
Sabah	*36.00*
Primary	11.00
Secondary	14.80
Technical	4.23
Teacher Training	1.97
Capital Grants to Aided Schools:	
Primary	1.00
Secondary	1.00
Junior College	2.00
Sarawak	*42.37*
Primary	7.82
Secondary	27.95
Technical and Commercial	4.10
Teacher Training	1.00
School Broadcast	0.10
Loans to School Managements	1.40
Total	537.26

CHAPTER XV

Health and Family Planning

I.—INTRODUCTION

775. Development in the medical and health services during the 1960's has resulted in an extensive layout of facilities, serving both the urban and rural population. Rural health services, in particular, have been improved to bring about a more balanced distribution of medical and health services.

776. Malaysia is generally free of basic and serious problems of public health, such as epidemic diseases. Firm practices of curative and preventive medicine have enabled the country to improve the standard of health. There has been a decline in the incidence of and deaths arising from communicable diseases, such as malaria, leprosy, tuberculosis (TB), filariasis, yaws and diphtheria. The statistics relating to public health in West Malaysia are illustrative of the progress achieved. The death rates, both overall and infant, have declined significantly. The infant mortality rate dropped from 68.9 per thousand live births in 1960 to 42.2 per thousand in 1968. The crude death rate was 7.6 per thousand population in 1968, as against the corresponding rate of 9.5 in 1960.

777. In spite of the general progress, some problems continue to exist. Health services continue to be inadequate in some parts of the country, particularly in East Malaysia and in the East Coast States of West Malaysia. The heavy investments made in medical and health facilities have not been matched by the capacity to operate them. The lack of trained and qualified manpower in the health sector, both professional staff as well as middle-level technicians, has hampered the full utilisation of these facilities. Delays have also occurred in the construction and equipping of certain facilities. These factors greatly affected performance during 1966-70 (*see* Table 15-1). Finally, the decline in the death rate has not been matched by a comparable decline in the birth rate. As a consequence, population growth remains high, creating a number of economic and social problems.

TABLE 15-1

DEVELOPMENT EXPENDITURE FOR MEDICAL AND HEALTH SERVICES, 1966-70

($ million)

	West Malaysia		Sabah		Sarawak		Malaysia	
	Allocation	*Actual expenditure*	*Allocation*	*Actual expenditure*	*Allocation*	*Actual expenditure*	*Allocation*	*Actual expenditure*
Preventive Services ..	*26.70*	*17.80*	*6.30*	*4.00*	*2.40*	*1.80*	*35.40*	*23.60*
Control of Communicable Diseases	4.00	3.40	0.20	0.10	0.80	0.20	5.00	3.70
Promotion of Health and Sanitation ..	22.70	14.40	6.10	3.90	1.60	1.60	30.40	19.90
Curative Services ..	*111.00*	*86.30*	*10.80*	*7.20*	*18.00*	*17.00*	*139.80*	*110.50*
Other Programmes ..	*12.70**	*10.10*	*0.90*	*1.80*	*0.60*	*0.60*	*14.20**	*12.50*
Total ..	150.40	114.20	18.00	13.00	21.00	19.40	189.40	146.60

II.—REVIEW OF PROGRESS, 1966-70

778. During the period, emphasis continued to be placed on the provision of better health services and the extension of such services to all sections of the population. Special attention was given to the expansion of the rural health service introduced in the early sixties. For the urban areas, the stress was on the establishment of new institutions, as well as the improvement and extension of existing facilities.

1. HOSPITAL DEVELOPMENT

779. In respect of curative services, the provision of new hospitals accounted for two-thirds of the Plan allocation for the health and medical programme. These new hospitals added 2,689 hospital beds, bringing the national total to 32,381 by 1970. Some of the major hospitals constructed were:

	Total hospital beds	Net increase
General Hospital, Kuala Lumpur	1,704	280
Teaching Hospital, Petaling Jaya	756	756
General Hospital, Seremban	1,023	352
Rural Hospital, Tanjong Karang	57	57

* Includes an allocation of $2 million for Family Planning.

	Total hospital beds	Net increase
Rural Hospital, Dungun	78	32
General Hospital, Kuching	570	84
District Hospital, Semporna	50	50
District Hospital, Tawau	200	200
Cottage Hospitals, Sabah	100	100

780. Efforts were also made to improve and upgrade existing hospitals throughout the country to enable modern treatment to be offered in more satisfactory conditions through (*a*) replacement of unsatisfactory buildings and facilities, (*b*) improvement of diagnostic and operation theatre facilities, (*c*) expansion of out-patient facilities and (*d*) provision of additional beds. A total of 49 major and 29 minor projects were undertaken in the 1966-70 period.

2. RURAL HEALTH SERVICE

781. The main thrust of the development programme in the rural health service was the building of health centres, sub-centres and midwives clinics. At the end of 1965 there were 39 main health centres, 122 health sub-centres and 643 midwives clinics. During the First Malaysia Plan period, 5 main health centres, 58 health sub-centres and 300 midwives clinics were constructed. The increase in sub-centres and midwives clinics more than kept pace with population, but the ratio of main health centres to population declined somewhat.

782. The activities of the rural health service in West Malaysia were intensified and expanded to include school health services and applied nutrition, in addition to covering the basic services such as maternal and child-care, public health nursing, environmental sanitation, health education, communicable diseases control, medical and dental care and family planning advice. In Sabah, rural health services were provided through the establishment of area health units, district health centres, village group sub-centres, rural dispensaries, cottage hospitals and rural mobile units. In Sarawak, the programme involved the establishment of rural dispensaries, medical units and rural health units throughout the State.

3. CONTROL AND ERADICATION OF COMMUNICABLE DISEASES

783. The national programme for the control and eradication of communicable diseases was mainly geared towards tuberculosis and malaria. Efforts were concentrated in those areas of the country where communicable diseases have been the major public health problem. A national malaria eradication campaign was launched in West Malaysia and full scale activities began in the northern States of West Malaysia. The eradication campaign in Sarawak progressed satisfactorily and involved spraying and surveillance in the more remote areas of the State, particularly in the border areas where the disease was prevalent. Maintenance measures were implemented in other parts of Sarawak to prevent any recurrence of infection.

784. Progress was also achieved in the control of leprosy. Improvements were made in the Sungei Buloh Leprosarium.

4. DENTAL HEALTH SERVICE

785. The dental health service concentrated on school children, the pre-school group and pregnant and nursing mothers. In West Malaysia the total number of pre-school and school children given dental health service increased from 646,000 in 1965 to 1,314,000 in 1970. In Sabah and Sarawak the respective figures were 45,120 and 82,145 in 1970 as against 12,000 and 48,000 in 1965.

5. NATIONAL FAMILY PLANNING PROGRAMME

786. The Family Planning Programme, initiated in the First Malaysia Plan period, achieved significant progress. The programme envisages that by 1985 the annual rate of population growth will be reduced from the current rate of 3% to 2%. The Government programme was focussed on West Malaysia. East Malaysia was covered by the services provided by the Family Planning Association and other voluntary organisations.

787. During 1966-70 the National Family Planning Board undertook specific projects to promote contraceptive services and to train personnel for such work. Family planning clinics were set up in hospitals and rural health centres. Full time family planning personnel from the Board have been assigned to its main clinics. Personnel from these main clinics also operate mobile family planning clinics in health sub-centres and midwives clinics. By the end of 1970, the Board had 217 clinical and field staff serving 76 static clinics and 413 satellite clinics throughout West Malaysia, while

also providing services to 186 estates. In addition, the Federation of Family Planning Associations also contributed its services through 42 static and 122 mobile clinics, while also providing services to 148 estates.

788. From May 1967, when the National Family Planning Board began field operations, until the end of 1970, about 222,000 new family planning acceptors were registered with the national programme. About one-third of this total was registered by voluntary organisations, the most important of which was the Federation of Family Planning Associations. Approximately 63% of new acceptors were found to be continuing users at the end of 12 months, while about 44% were estimated still to be continuing users after 24 months. This continuation rate compares favourably with the experience of other countries with national family planning programmes.

789. Based on past fertility experience of married women in Malaysia, this achievement is estimated already to have resulted in 57,600 fewer births than would otherwise have occurred. With prevailing continuation rates, extended use by women enrolled in the programme before the end of 1970 is expected to result in an additional 78,400 prevented births after 1970.

790. The total cost of preventing one birth was about $123 in 1970. This figure is lower than the cost experienced in the first two years of the programme, when many non-recurrent expenses of establishing the family planning infrastructure had to be met, and when relatively few continuing users had been enrolled. While it is possible that costs per prevented birth will decline further, if more acceptable and less expensive methods should be forthcoming, it is considered more likely that costs will actually rise, as the programme extends to less motivated women and to less accessible areas.

791. In addition to the routine evaluation of the programmes, several special studies were conducted to extend and improve the effectiveness of the programme.

792. During the past years several measures were initiated which, to a certain extent, might have contributed towards desired fertility limitation. Notable among these are the recent extension of family planning services to FLDA schemes and the limitation of maternity benefits for Government workers to include only the first three children, a practice which is now being considered also by several private organisations. The recent decision to introduce population-related subject matter into public school curricula will increase understanding of issues relating to family planning.

6. OUTSTANDING PROBLEMS

793. Despite the achievements made under the First Malaysia Plan a number of problems in the health, medical and family planning fields continue to exist. The most fundamental problem is the imbalance in the availability of health and medical services between the urban and rural areas, as well as between West and East Malaysia. One aspect of this is the uneven distribution of medical facilities and personnel between these areas. The ratio of medical personnel and facilities to population in respect of West Malaysia, Sabah and Sarawak, as shown in Table 15-2, reflects the nature of this problem. This is attributed mainly to the national shortage of specific categories of medical and health personnel which has resulted in facilities being underutilised and the rural areas lacking specialised personnel.

TABLE 15-2

RATIO OF DOCTORS, NURSES AND HOSPITAL BEDS TO POPULATION, 1970

	West Malaysia		*Sabah*		*Sarawak*	
	No.	*Ratio*	*No.*	*Ratio*	*No.*	*Ratio*
Doctors	2,255	1:4,100	80	1:7,900	91	1:11,100
Nurses*	4,870	1:1,900	626	1:1,100	453	1:2,200
Hospital Beds†	28,040	1:330	2,005	1:310	2,336	1:430

III.—MEDICAL AND HEALTH PROGRAMMES IN THE SECOND MALAYSIA PLAN

1. OBJECTIVES

794. The programmes under the Second Malaysia Plan are designed to make further advances in the provision of medical and health services and to achieve a more balanced distribution of such services between the urban and the rural areas. The objectives of the programmes are:

(i) To consolidate the existing health service with continued emphasis on rural health and extend its coverage into the more remote areas.

(ii) To expand the training programme to provide the medical and health manpower required.

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* Nurses include matrons, sisters, staff nurses and assistant nurses. The term excludes dental nurses. Figures do not include nurses in the private sector.

† Figures exclude beds in private hospitals.

(iii) To increase the number of hospital beds and improve general and specialised medical facilities and services.

(iv) To promote the general health of the population by improving environmental sanitation and nutritional standards on a national scale.

(v) To support and supplement the family planning programme, through functional integration with the rural health service.

(vi) To strengthen the development and planning capability and services of the Ministry of Health.

2. CURATIVE SERVICES AND HOSPITAL DEVELOPMENT

795. At present there are approximately 17,000 beds in general and district hospitals in West Malaysia. The number of hospital beds will not only be increased but facilities in existing hospitals will also be improved. Measures will be taken to establish institutional facilities in areas which are still without them, to improve existing facilities, as well as to increase the number of doctors, medical technicians, nurses and midwives. Towards these ends, a programme covering the development of new hospitals, extensions and improvements to existing facilities and training of required manpower will be undertaken.

796. *New Hospitals.* A few major projects of the First Malaysia Plan remain to be completed. Notable among these are the General Hospitals in Kuala Lumpur and Kuching and a Neuro-Psychiatric Institute, which are all nearing completion. Work has also started on a rural hospital at Changkat Melintang, Perak. In addition, new hospitals will be established in Ipoh, Sitiawan, Telok Anson, Telok Datok, Klang, Jerteh, Pasir Mas/ Machang and the Jengka Triangle. Preparatory works will be undertaken for a general hospital in Bagan Serai (Penang) and district hospitals in Kulim, Sabak Bernam and in the proposed regional land development areas of Johore Tengah, Tanjong Penggerang and Pahang Tenggara. Two hospitals will be built in Sarawak, at Limbang and Serian, while a new hospital will be built at Beaufort in Sabah. The hospital programme will incorporate specialised services such as Accident and Emergency Units, Orthopaedic Services and Hospital Pathological Services, as well as modern medical and health facilities for general services to a bigger proportion of the population.

797. *Extensions and Improvements.* Existing facilities in a number of institutions throughout the country will be improved and expanded in order

to upgrade hospital services and to enable modern treatment to be offered to more people. The bulk of this programme is the replacement of unsatisfactory buildings and facilities, improvement of diagnostic facilities and the provision of additional beds. Similar improvement works will be undertaken for existing mental institutions. In West Malaysia efforts will be made to decentralise psychiatric services by establishing smaller psychiatric units in hospitals.

798. *Professional Personnel.* Special emphasis will be given to training programmes in response to the urgent need for qualified manpower of all categories to operate available health and medical facilities throughout the country. The Plan includes the establishment of a Dental Faculty in the University of Malaya; the establishment of Schools of Orthopaedic Nursing, Physiotherapy, Occupational Therapy and Artificial Limb Appliance Makers; the establishment of a School for Medical Laboratory Technologists and Junior Laboratory Assistants at the Institute of Medical Research; the expansion of the Public Health Institute; and the expansion of the Schools of Nursing and Dispensers.

799. In addition to the above programmes, the recent introduction of compulsory Government service for new doctors as a condition for registration will help meet to a certain extent the staff shortages, particularly in the rural health service. In the meantime, recruitment on contract of doctors from abroad will contribute substantially towards alleviating the shortage. It is expected that the doctor-population ratio will improve substantially during the Plan period. It is also envisaged that there will be a steady improvement in the supply of other categories of staff over the next few years.

3. PROMOTION OF HEALTH AND SANITATION

800. *Rural Health Services.* The programme in the Second Malaysia Plan envisages significant improvement of the rural health service in all the States. This objective includes the achievement of the target of 4 health sub-centres and 20 midwives clinics to each main health centre as defined in the original rural health plan. The objective also includes the provision of facilities and services to keep pace with the population increase during the period.

801. A total of 17 main health centres, 62 health sub-centres and 402 midwives clinics-cum-quarters will be built in West Malaysia. These centres

will provide basic curative and preventive services and also provide for the integration of the family planning programme, the school health programme, the applied nutrition programme, and the programmes for the control and eradication of communicable disease into the basic rural health service.

802. During the period, environmental sanitation will also be expanded throughout the country. In Sarawak improvement of environmental sanitation in the rural areas, with special reference to health education, will continue to be one of the main activities. The anti-malaria campaign will also be integrated into the rural health service, which, with curative medical care, will be provided to the rural population through the establishment of health and medical units and travelling dispensaries.

803. In Sabah, area health units will be established. Each unit will consist of at least one cottage hospital, district health centres, village group sub-centres and dispensaries. A variety of services will be provided in each area unit. These include maternal and child-care and school dental treatment. These area services will be responsible for all other aspects of curative and preventive work, while the hospital to which these area services are linked will undertake the actual treatment and management of patients. In the Plan period, it is envisaged that two new cottage hospitals will be established, at Beluran and Tambunan, in addition to a total of 100 village group sub-centres, eight rural dispensaries and several area health units for the State.

804. *Dental Health Service.* This service will be expanded to cater for school children as well as for the rest of the population. For this purpose, a larger investment programme will be undertaken to establish dental services throughout the country. In West Malaysia, the service will be equipped with at least one main dental clinic in each State. In Sarawak, similar emphasis will be made, though priority will continue to be given to school dental services. It is envisaged that new school dental clinics will be built in Sarawak at the rate of six to eight a year.

805. *Urban Health Services.* The programme in West Malaysia will consolidate maternal and child health facilities in urban centres where existing facilities are inadequate. Steps will also be taken to help alleviate congestion in general hospitals throughout the country. This programme includes a new feature in that facilities will now be provided to suburban areas as well.

4. PREVENTIVE SERVICES

806. *Tuberculosis Control.* The national campaign to control TB launched in 1961 will continue throughout the country. The campaign involves identifying infectious cases in the community and rendering them non-infectious; continuing the BCG vaccination programme; and conducting case-finding campaigns in selected groups of the community to discover early cases of pulmonary TB which can easily be treated on an out-patient basis. The programme during the Plan period involves the expansion of existing facilities, the continuation of training of technical personnel and the gradual rectification of existing deficiencies. In Sarawak, the TB control programme, begun in 1960, will be further intensified. In Sabah, the programme will continue to be aimed at consolidating the TB control service, which is already operating on a State-wide basis.

807. *Leprosy Control.* The programme is aimed at the control of leprosy as a public health and social problem. During the period improvements will be made to existing facilities, mainly in the Leprosarium at Sungei Buloh in order to make it a more effective national centre of leprosy control. Clinics will continue to be established at hospitals to enable immediate diagnostic care to be undertaken.

808. *Malaria Eradication.* The malaria eradication programme, already begun in the northern States of West Malaysia, will be extended throughout West Malaysia. In Sarawak, the general programme of malaria eradication has been completed. Maintenance measures will be continued in the State in order to prevent any recurrence of infection. Expenditures for this purpose for both West and East Malaysia will be met from the ordinary budget of the Government.

5. ENVIRONMENTAL HEALTH AND INDUSTRIAL HYGIENE

809. *Public Health Service.* The continuing emphasis of the public health service will be on maternal and child health care. This programme will be embodied in the various projects of the sector in both the preventive and curative services. During the Plan period this programme will emphasise: the implementation of an integrated school health programme; the expansion of the environmental sanitation project on a country-wide basis; the implementation of an applied nutrition improvement programme; and the strengthening of the health education and community organisation programme. These programmes will be undertaken in conjunction with the relevant agencies of the Government.

810. *Industrial Hygiene.* The current pace of industrialisation in the country makes imperative the urgent attention to problems of urbanisation arising from the creation of new industrial centres and townships. Wherever new communities occur, special services will be required to deal with their total health needs and to protect the workers, inhabitants and local environment from industrial hazards. Measures to meet these needs are merged in various pertinent health programmes in the Second Malaysia Plan as well as in other relevant health campaigns undertaken by the agencies concerned. Apart from the established preventive and health education services in the country, much of what is to be achieved will depend on the initiative of Local Governments and other public and private organisations. Of particular importance are the promotional activities of private groups to alert the public to the health hazards that accompany industrialisation.

6. CONTROL OF ENVIRONMENTAL POLLUTION

811. The Government is increasingly concerned with the overall problem of environmental pollution in various forms. Pollution can arise from rapid urbanisation, industrialisation , motorised transportation and excessive mining operations. Like all nations, Malaysia is threatened by increasing water, soil and air pollution.

812. Water pollution, for instance, is caused by spoliation of land by tin mining, by increasing deforestation for agricultural expansion, by careless land development, by increasing industrial sewerage and domestic wastes, by growing use of agricultural fertilisers and pesticides and by increasing use of estuarine and coastal waters for transport and recreation. Pollution of soils often occurs through both accidental and intentional introduction of materials to the soil. This form of pollution is most common in agricultural land, where increased efforts to raise productivity are the principal source of pollution. Pollutants in these cases include the whole range of fertilisers, pesticides, herbicides and the gaseous by-products of industrial processes.

813. Such pollution is likely to affect the health and mental, social and economic well-being of Malaysians. The Government will initiate studies and take the necessary steps to meet the problem.

IV.—FAMILY PLANNING

814. The specific objectives of the family planning programme in the Plan period are (i) to extend family planning services to the rural areas and (ii) to bring the birth rate down to 32 per thousand population from the present

level of 35. In terms of new acceptors the programme goal is to reach 600,000 women during the five years, with the annual target rising steadily from 80,000 in 1971 to 160,000 in 1975. Continuing users are expected to increase from the present 105,000 to about 267,000 by 1975.

815. The recent integration of family planning into the rural health service will help towards meeting these ambitious goals. This integration has been initiated in order to combat the problems of establishing and staffing rural family planning clinics, and to provide family planning as part of the total "health package" of the rural health service. For the first two years, integration of health and family planning services will be done in selected areas. On the basis of this experience, determination will be made as to the best way to implement the programme throughout the remaining rural areas.

816. For metropolitan and urban areas already covered by the national programmes, increased efforts to recruit new acceptors will focus particularly on active motivational and educational efforts, aimed particularly at young couples in the early reproductive ages. Greater efforts will be made to promote methods which have thus far met with only modest acceptance, especially through training physicians to perform male and female sterilisation, and for IUD insertion, thereby making these methods more readily available.

817. The Family Planning Association, a voluntary organisation, will be encouraged to maintain at least its current level of activity. Private physicians will also continue to be recruited, and expansion of services to FLDA schemes and estates will be accelerated.

818. In addition to spreading family planning services to the less accessible rural areas of West Malaysia, consideration will be given to initiating activity in Sabah and Sarawak, where the only organised activity thus far has been through the Family Planning Association.

V.—PLANNING AND RESEARCH

819. The Planning and Research Division within the Ministry of Health will be the focal point for planning national health development. The main functions of the Division are to formulate development plans for the sector, to supervise project implementation and to evaluate the effectiveness of the programme.

VI.—ALLOCATION FOR HEALTH AND FAMILY PLANNING

820. The allocation of public sector development expenditure for health and family planning is shown in Table 15-3.

TABLE 15-3

ALLOCATION FOR HEALTH AND FAMILY PLANNING,* 1971-75

($ million)

	West Malaysia	*Sabah*	*Sarawak*	*Malaysia*
Preventive Services	*38.50*	*4.54*	*4.04*	*47.08*
Control of Communicable Diseases ..	*1.55*	—	—	*1.55*
TB Control	1.25	—	—	1.25
Leprosy Control	0.30	—	—	0.30
Promotion of Health and Sanitation ..	*36.95*	*4.54*	*4.04*	*45.53*
Rural Health Service	29.75	4.54	3.52	37.81
Dental Health Service	3.50	—	0.52	4.02
Urban Health Service	3.70	—	—	3.70
Curative Services	*112.63*	*15.86*	*11.46*	*139.95*
New Hospitals	68.13	8.26	8.29	84.68
Improvements, Extensions and Equipment	36.80	5.33	3.02	45.15
Other Hospitals/Institutions	7.70	2.27	0.15	10.12
Other Projects/Programmes	*19.95*	*4.60*	*2.07*	*26.62*
Training Programmes	9.60	2.39	—	11.99
Institutional Quarters and Hostels ..	4.50	1.62	0.68	6.80
Miscellaneous	5.85	0.59	1.39	7.83
Total ..	171.08	25.00	17.57	213.65

* Allocations for Family Planning and Malaria Eradication are made in the Ordinary Budget.

CHAPTER XVI

Social and Community Services

I.—INTRODUCTION

821. This Chapter discusses programmes of urban development, housing and social and community services, designed to improve the living conditions of both rural and urban dwellers. They supplement the programmes for education, health, utilities and transportation described in earlier Chapters and constitute an important element of the strategy to eradicate poverty and correct economic imbalance.

822. The urban centres are an important focus of these programmes. While these centres are in the forefront of modernising Malaysian society, their very growth creates economic and social problems. The growth of industries and services in these areas has attracted large numbers of young people from the rural areas and smaller towns. This in turn has led to problems of congestion and unemployment, with all their social consequences in the urban setting. Housing, utilities and community services have not been able to keep pace with urban growth. The rapid growth of urban centres has also accentuated the general imbalance in the racial participation in modern sector activities.

823. In the Second Malaysia Plan period, greater attention will be paid to resolving these problems. Programmes of urban development, including slum and squatter clearance, the construction of housing schemes, improvement of water supply and sewerage systems and the provision of other public amenities are important aspects of the Plan. The urban development programmes will also include the provision of wider opportunities for Malays and other indigenous people to participate in urban industrial and commercial activities, so that Malaysian towns will reflect more fully the multi-racial characteristic of the nation.

824. In the rural areas, there is continued need for more extensive community services and facilities. A wide range of such services and

facilities has been provided through past development efforts and these will be further extended during the Second Malaysia Plan period. In addition to programmes for the provision of electricity, water supplies, schools, health services and rural roads described in earlier Chapters, the following paragraphs describe several other programmes for rural and urban dwellers to provide them with housing, recreational facilities and markets.

II.—HOUSING

825. Public housing constitutes a major element of the national housing programme. Basically, this programme caters to the needs of the low-income groups of all communities irrespective of race. It is designed to eliminate slum dwellings and squatter living, as well as to resolve other socio-economic problems associated with rapid growth of the urban centres in the country.

826. The Government will place emphasis on housing for low-income groups, as such ventures do not appeal to private developers, whose activities mainly cater for the middle and higher income groups. The Federal Government will focus its attention mainly on the Federal Capital, while State Governments will meet the needs of other areas of the country with Federal financial assistance. The services of the Housing Trust will be utilised for the national housing programme.

827. The national housing programme under the Plan will emphasise two important aspects in order to reflect more clearly the over-riding objective of promoting national unity. Firstly, the national housing programme will be designed for an integrated multi-racial community. Secondly, planning for housing will include the provision of essential community services and other needs so that new housing complexes can be as self-contained as possible. This is especially important in the Federal Capital, where major housing projects will be undertaken during the Plan period.

828. Under the First Malaysia Plan, a total allocation of $188.1 million was made for housing of which $173.2 million was for West Malaysia and $7.4 million and $7.5 million for Sabah and Sarawak, respectively. The housing programme in West Malaysia started rather slowly but made considerable progress during 1968-70. By the end of the Plan period, a total of 22,522 low-cost housing units were completed, nearly half of them flats. As Table 16-1 shows, the Plan's achievement was nearly three times that in the previous five-year period.

TABLE 16-1

PUBLIC LOW-COST HOUSING DEVELOPMENT, WEST MALAYSIA, 1956-70

Period	*Expenditure ($ million)*	*Units completed*
1956-60 ...	9.33 ...	2,983
1961-65 ...	33.27 ...	7,568
1966-70 ...	99.79 ...	22,522

829. For the Second Malaysia Plan, an amount of $171.9 million is earmarked for public housing throughout Malaysia. Of this allocation, $89.68 million is intended to finance national housing projects in West Malaysia of which $62.51 million is for projects in the Federal Capital. These projects, which will be jointly launched by the Federal, State and Municipal authorities, will involve the construction of a number of multi-storey flats, with allied community services, in selected areas of the city.

830. The various State Governments of West Malaysia will also implement public housing schemes in the other urban centres, mainly through the State Economic Development Corporations. An amount totalling $11.14 million will be invested by State Governments. In East Malaysia, Sabah and Sarawak will spend $23.23 million and $12.5 million, respectively.

831. The Government will continue to encourage and assist private housing developers. In addition, the Federal and State Governments will give significant impetus to private housing development through assistance to public employees in a home ownership scheme. In this connection, a company for housing development for Government employees, namely the Sharikat Kemajuan Perumahan Pegawai[2] Kerajaan Sendirian Berhad, has been established and a sum of $30 million has been allocated for this purpose. Furthermore, a sum of $16.5 million has been provided for housing accommodation in respect of Industrial and Manual Group (IMG) workers and co-operative housing societies and for repairs and renovations of Government residences and quarters. To formulate national housing policies and programmes and review progress in their implementation, a National Consultative Council for Housing, comprising the Menteri[2] Besar and Chief Ministers of the States, has been established under the Chairmanship of the Deputy Prime Minister. This Council is supported by a committee of officials and representatives of the private sector.

832. The Federal Government has substantial interest in the Malaya Borneo Building Society Limited (MBBS), which has been reorganised to serve only Malaysia. The MBBS is the largest provider of housing loans in the private sector. Its loan terms are generally more favourable than those of other lending agencies. The Society's mortgage assets increased from $88.31 million at the beginning of 1966 to $142.14 million at the end of 1970. During this period, loans amounting to $137.8 million were approved to finance the purchase of 14,000 houses. The projected loan disbursement for the period 1971-75 amounts to $170 million which will finance the cost of approximately 17,000 houses.

III.—URBAN DEVELOPMENT

833. The rapid growth of urban centres throughout the country has given rise to slums and increasing congestion and pollution. In most cases, the growth of population concentrations and the spread of business and industrial centres have been haphazard and not sufficiently related to the efficient use of urban land or the development of commercial and community facilities. Added to this is the problem of imbalances in racial participation in modern industrial and commercial activities. These problems require a new and comprehensive approach to the development of urban centres.

834. An Urban Development Authority (UDA) has been established to help resolve these problems more effectively. UDA will work closely with local authorities and State Governments. It will focus on urban renewal, squatter and slum clearance, housing, and other redevelopment to ensure functional and economic use of resources in urban centres.

835. UDA will concentrate its attention initially in Kuala Lumpur where the problems are more acute and urgent. Its immediate actions will be aimed at comprehensive redevelopment, conservation and rehabilitation to enable the city to cater for the growing population, traffic, employment and business. It will also develop business premises for Malays and other indigenous people as described in Section V of Chapter X.

IV.—MAJOR SEWERAGE SCHEMES

836. The need to improve and expand sewerage facilities in major towns in Malaysia is urgent and will be given priority during the Plan period. Major projects to be initiated include the commencement of the Ipoh sewerage scheme with an initial allocation of $5 million; a feasibility study

for the extension of a sewerage scheme to cover the metropolitan area of Kuala Lumpur; extension of the sewerage purification works at Pantai; and an extension to the George Town sewerage system.

V.—CULTURE, YOUTH AND SPORTS

837. The programmes in this sector will emphasise youth development. Complementing the various education and training and employment schemes and programmes discussed in Chapters VII and XIV, the Government will continue to implement other projects designed to help youths become productive and self-reliant. Youth activities will be geared to fostering creative thinking, acquisition of various skills, interest in arts and culture, community co-operation and youth leadership. Multi-purpose Centres, Youth Camps and other facilities for youth development will be established throughout the country. These institutions will provide opportunities for training courses in leadership, skills in vocations leading to productive employment, instruction and coaching in sports and cultural activities for youths. Facilities for sports, including a number of complexes meeting international standards, will also be constructed during the Plan period.

838. A National Youth Consultative Council has been established to provide more effective communication between the Government and youth groups in the country. Through this and other programmes, youth organisations in the country will be more fully integrated and oriented towards national development objectives. The National Sports Council has already been established to co-ordinate the activities of the various sports organisations in order to provide training facilities designed to upgrade the standards. A National Cultural Council will be established to co-ordinate and promote cultural activities.

839. The development of a national culture is of vital importance to the creation of national unity. To facilitate this development the Government will establish a National Cultural Complex which will include a National Theatre to encourage and cultivate various forms of music and performing arts in the country.

VI.—URBAN DRAINAGE PROJECTS

840. A sum of $9 million has been provided for urban drainage projects, mainly construction of proper drains and other simple drainage reticulations to improve flood control. Of this, $3 million is intended for projects in West

Malaysia, particularly in the Federal Capital of Kuala Lumpur where the main drainage systems are to be improved. A sum of $5 million is allocated to Sabah and $1 million to Sarawak for similar projects.

VII.—FIRE SERVICES

841. Most parts of the country have adequate fire fighting services. An allocation of $700,000 is made for the establishment of a Central Fire Training School under the Ministry of Technology, Research and Local Government. The establishment of this School will enable centralised training to be undertaken for all fire services personnel throughout the country. A total of $5.88 million will be expended by the West Malaysian States for the improvement of their fire services, while Sabah will spend $9.25 million, mainly for the purchase of fire engines and the construction of fire stations.

842. The total allocation for fire services in the Second Malaysia Plan is $16.23 million.

VIII.—WELFARE SERVICES

843. Projects in this sector are designed to improve and extend the facilities for the care, relief and rehabilitation of the less fortunate members of society. Notable among these projects is a Home for the Chronically Ill in Selangor and another in Tampoi, Johore, to serve the Southern region; an Old Folk's Home in Malacca; an Approved School in Pahang and a Centre for Mentally Defective and Handicapped Children, and a Boys' School in Taiping. Provision has also been made for additional staff quarters as well as extensions to existing welfare institutions. Similar projects will be implemented in Sabah and Sarawak.

IX.—ABORIGINES

844. Further efforts will be made during the Plan period to advance the economic and social status of aborigines and to integrate them with other communities in the country. This is to be achieved by encouraging more new land development, self-help schemes and programmes to provide improved education and health facilities. A total of $7.38 million is provided in the Plan for these purposes, as compared to $4.9 million actually expended under the previous Plan.

X.—OTHER COMMUNITY SERVICES

845. In addition to the programmes elaborated above, a total of $67.30 million has been provided in the Plan for other community service projects in the country. These projects are for urban as well as rural areas and include the provision or improvement of drainage, markets, small water supply schemes, dams, community centres, playing fields, street lighting, and bus terminals. Wherever possible, these projects will be implemented on a "gotong-royong" basis.

846. In Sabah and Sarawak, provisions amounting to $11.79 million and $32.51 million, respectively, have been made for community services. The emphasis will continue to be on the provision and improvement of markets and bazaars, land reclamation works and other local council projects to provide minor amenities.

847. The allocation for social and community services under the Second Malaysia Plan is shown in Table 16-2.

TABLE 16-2

ALLOCATION FOR SOCIAL AND COMMUNITY SERVICES, 1971-75

($ million)

	West Malaysia (Federal)	*West Malaysia (States)*	*Sabah*	*Sarawak*	*Total*
Housing	125.02	11.14	23.23	12.50	171.89
Sewerage	13.60	—	10.37	—	23.97
Drainage	3.00	—	5.00	1.00	9.00
Fire Services	1.10	5.88	9.25	—	16.23
Culture, Youth and Sports ..	5.00	—	1.23	1.00	7.23
Welfare Services	10.93	—	2.06	0.48	13.47
Aborigines	7.38	—	—	—	7.38
Other Community Services ..	7.70	15.30	11.79	32.51	67.30
Total ..	173.73	32.32	62.93	47.49	316.47

CHAPTER XVII

General Administration

I.—INTRODUCTION

848. This Chapter discusses the requirements for accommodation and equipment for General Administration under the Second Malaysia Plan. Under the First Malaysia Plan, development expenditure amounting to $138.1 million was made on General Administration, mostly to construct Government buildings. The high cost of renting office accommodation makes it more economical in the long term for the Government to construct its own office buildings in more convenient locations.

849. A major difficulty in implementing projects included in the First Malaysia Plan was the problem of the availability of suitable sites. Another difficulty was the limited technical capacity for the design and construction of new office buildings. The use of standard plans helped to some extent in overcoming this constraint.

850. To overcome these difficulties, planning for office buildings under the Second Malaysia Plan will be done, wherever possible, on the basis of combining several offices in one suitable location. The building programme will be viewed as part of the more general programmes for urban planning and redevelopment.

II.—DEPARTMENTAL PROGRAMMES UNDER THE SECOND MALAYSIA PLAN

851. A large portion of the allocation for General Administration is for the construction of Government buildings to meet the increasing demand for additional office accommodation and for replacement of and alterations to existing buildings. Among these are:

(i) A new complex for the Kuala Lumpur Municipality including offices, a convention hall and a cultural centre;

(ii) New offices to accommodate the Prime Minister's Department, the Ministry of Commerce and Industry, Federal Industrial Development

Authority, Ministry of Education, Department of Immigration and the Ministry of Finance, including the Inland Revenue Department and the Royal Customs Headquarters; and

(iii) A building complex for the National Archives and the National Library.

852. The major building projects in Sabah are:

(i) A Federal office block to accommodate various departments currently occupying rented premises. These include the Federal Secretary's Office, Ministry of Culture, Youth and Sports and the Departments of Inland Revenue, Statistics, Civil Defence, Registration, Immigration and Education and the Elections Office;

(ii) New buildings for a Legislative Assembly, the Chief Minister's Office, the Public Works Department and the Survey, Agriculture, Medical and Forests Departments; and

(iii) Construction of a Central Library and State Stadium, and completion of the Community Development Centre started in the First Malaysia Plan.

853. Sarawak's building programme consists largely of:

(i) New Federal office buildings to accommodate the Departments of Statistics, Inland Revenue, Information, Posts, Co-operatives, Culture, Youth and Sports and the Elections Office, all of which are occupying rented premises;

(ii) Construction of new State offices and modification of existing ones including outstation offices, a large number of which are presently housed in dilapidated and congested buildings. These will cater mainly for the Departments of Agriculture, Drainage and Irrigation, Lands and Survey and Transport;

(iii) District Offices, Residences and Rest Houses in various districts; and

(iv) A building for the new museum at Sibu.

854. Other development expenditures included under the category of General Administration are described briefly in the following paragraphs.

855. *Judicial.* The programme for 1971-75, amounting to $9.6 million, provides for the construction of courthouses in various parts of West Malaysia, at Tawau and Keningau in Sabah and at Sibu in Sarawak as

well as the extension of the courthouse at Sandakan. A new Palace of Justice will be constructed in the Federal Capital to cater for increased activities in judicial administration.

856. *Customs and Excise.* The allocation of $12.5 million will provide for additional staff quarters in various parts of the country, strengthening of stores and strongrooms and the purchase of vehicles, additional launches and equipment to strengthen facilities for anti-smuggling work.

857. *Chemistry.* An allocation of $1.9 million has been provided for the construction of branch laboratories at Ipoh and Kota Kinabalu and completion of extensions to the existing laboratories at Petaling Jaya and Johore Bahru. This will permit a more comprehensive regional laboratory service to meet the increasing demand for scientific advisory services.

858. *Printing.* A sum of $5.3 million has been allocated. Of this $0.43 million is for the completion of the Johore Bahru branch office and expansion of the headquarters building. A sum of $1.2 million has been provided for a Government printing office in Sabah. The balance is for the replacement and purchase of additional machinery and equipment.

859. *Prisons.* The allocation of $20 million for West Malaysia will provide for additional staff quarters and improvement to existing prison buildings so as to maintain the general standard of prisons in the country. During the Plan period, construction will begin on a new prison and headquarters office in Kajang. This will replace the present Pudu Prison which is located on valuable land needed for other purposes. The allocation of $1.46 million for East Malaysia is for the construction of staff quarters and prison buildings at Kota Kinabalu and Miri.

860. *Labour and Industrial Relations.* The allocation of $1.32 million for West Malaysia is for the construction of new office buildings and improvements to existing ones. New buildings will be constructed for the Port Labour Board at Penang and for the field offices of the Ministry of Labour and Manpower. In Sabah transit/reception centres will be established to facilitate the migration of labour from West to East Malaysia.

861. *Survey.* A sum of $0.68 million has been provided for West Malaysia for the purchase of an electronic plotter, the construction of tide gauges and a photogrammetric machines building adjacent to the Survey Office in Kuala Lumpur. The programme for Sarawak, amounting to $2.53 million, will provide for topographic mapping, air photography, construction of tide

gauges and the purchase of survey equipment. For Sabah, the allocation of $1.72 million is for topographical and contour surveys, preparation of land development maps, construction of tide gauges and consultant services. The need for consultant services arises from the limited technical capacity in Sabah.

862. *Information.* A sum of $4.93 million has been allocated for the construction of information offices and quarters and the purchase of mobile units for land, sea and riverine uses. This will enable the Department to increase the services it provides to rural areas and to promote national consciousness and unity.

863. *Immigration.* An allocation of $2.30 million has been provided for the construction and improvement of Immigration Offices and quarters in some border towns and for the purchase of additional launches.

864. *Ministry of Foreign Affairs.* An allocation of $10 million will provide largely for the completion of on-going construction works on several Chanceries and Official Residences and for the construction and purchase of new mission buildings and official residences in Paris, Wellington, New Delhi, Jakarta, Medan, Songkhla, Ottawa, Islamabad and Cairo.

865. *Defence and Internal Security.* The allocation amounts to $1,100 million, of which $419 million is for accommodation.

866. Plan allocations under General Administration are shown in Table 17-1.

TABLE 17-1

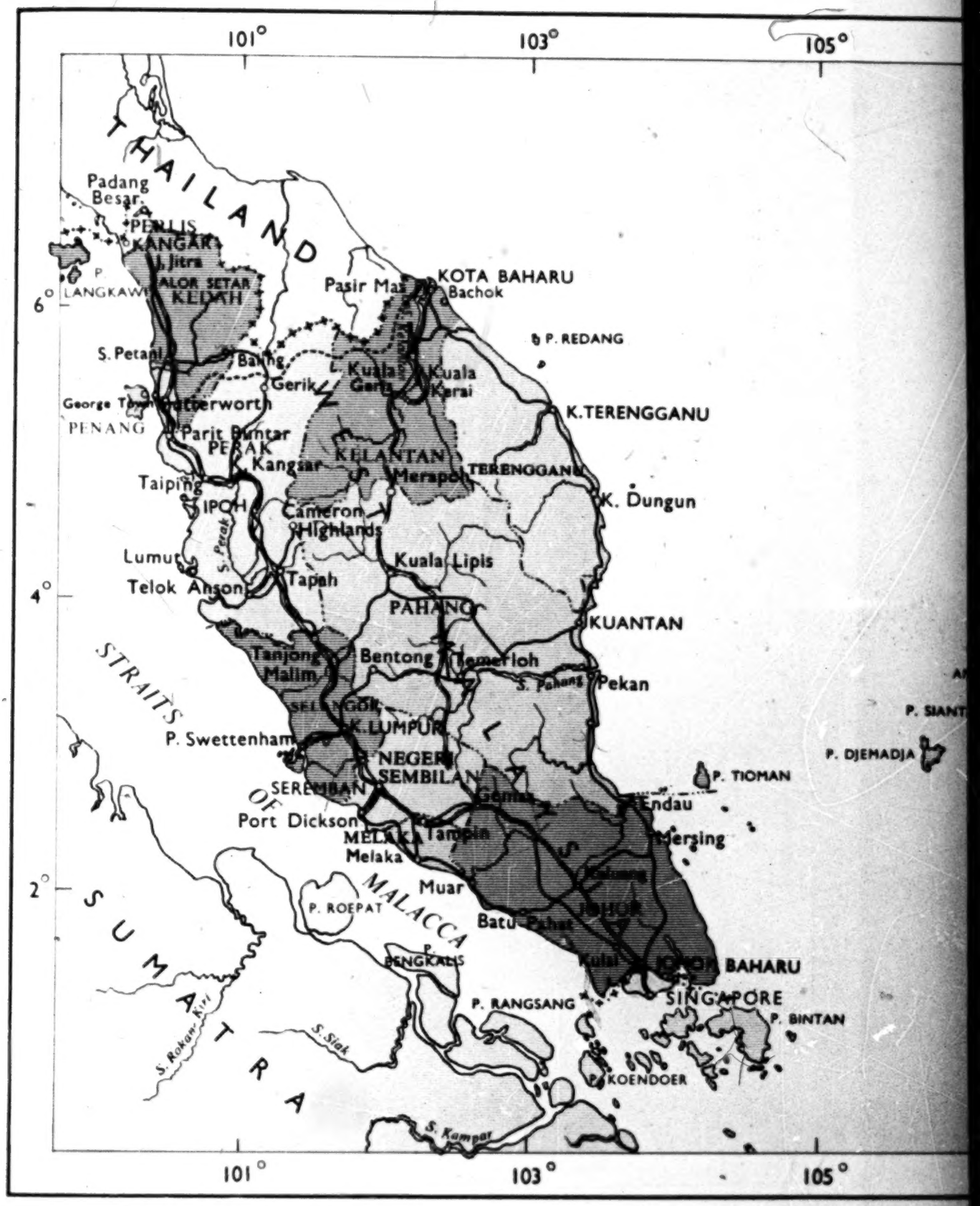
ALLOCATION FOR GENERAL ADMINISTRATION, DEFENCE AND INTERNAL SECURITY, 1971-75

($ million)

	West Malaysia	*Sabah*	*Sarawak*	*Malaysia*
Office buildings	71.50	32.24	26.62	130.36
Museum and Archives	6.10	—	—	6.10
Judicial	8.33	0.55	0.74	9.62
Customs and Excise	11.93	0.60	—	12.53

	West Malaysia	*Sabah*	*Sarawak*	*Malaysia*
Chemistry	1.24	0.61	—	1.85
Printing	3.68	1.21	0.40	5.29
Prisons	20.05	0.40	1.06	21.51
Labour and Industrial Relations	1.32	0.25	—	1.57
Survey	0.68	1.72	2.53	4.93
Information	2.08	2.07	0.78	4.93
Immigration	1.77	0.07	0.46	2.30
Missions overseas	10.00	—	—	10.00
Others	0.59	—	—	0.59
General Administration ..	*139.27*	*39.72*	*32.59*	*211.58*
Armed Forces	*813.07*	*24.60*	*12.40*	*850.07*
Police	*181.00*	*30.00*	*39.00*	*250.00*
Total ..	1,133.34	94.32	83.99	1,311.65

4578—21-6-71.



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MAP OF
MALAYSIA

Scale 1:4,350,000

0 50 100 150 200 Miles

103° 105° 107° 109° 111°

SOUTH CHINA SEA

A BAHARU
hok
P. REDANG
K.TERENGGANU
ERENGGANU
K. Dungun
is
KUANTAN
nerloh
S. Pahang
Pekan
P. TIOMAN
Endau
Mersing
Keluang
JOHOR
Batu-Pahat
Kulai
JOHOR BAHARU
SINGAPORE
RANGSANG
P. BINTAN
P. KOENDOER
ANAMBAS EILANDEN
P. SIANTAN
P. DJEMADJA
P. AIRABU
GROOT NATOENA-EILANDEN
P. SOEBI-BESAR
TAMBELAN EILANDEN
BINTULU
MUKAH
Igan
Daro
SIBU
BINATANG
KANOWIT
SARIKEI
THIRD
Tg Datu
LUNDU
KUCHING
DIVISION
FIRST
SECOND
DIVISION
SIMUNJAN
SIMANGGANG
SERIAN
LUBOK ANTU
S. Kapuas
I N

MAP OF MALAYSIA

Scale 1:4,350,000

0 50 100 150 200 Miles

107° 109° 111° 113° 115° 117° 119°

6° 4° 2°

SOUTH CHINA SEA

INDONESIAN BORNEO

STRAITS OF BALABAC

P. BALEMBANGAN

PULAU BANGGI

CAGAYAN SULU I.

KUDAT

Banggi

Kota Belud

WEST COAST RESIDENCY

Tuaran

Simpangan

Lingkabau

KOTA KINABALU

PAPAR

Ranau

Beluran

SANDAKAN

Tambunan

SANDAKAN RESIDENCY

Tambisan

BEAUFORT

SABAH

P. LABUAN

VICTORIA

Weston

KENINGAU

Tenom

BRUNEI

BANDAR SERI BEGAWAN

TUTONG

LAWAS INTERIOR RESIDENCY

TAWAU RESIDENCY

Lahad Datu

Seria

LIMBANG

Marudu

Merutai

MIRI

FIFTH DIVISION

TAWAU

Long Teru

Long Lama

Pa Tik

FOURTH DIVISION

Long Miri

S. Sembakong

BINTULU

MUKAH

Igan

Batang Mukah

SARAWAK

Belaga

Batang Balui

Daro

SIBU

BINATANG

KANOWIT

Batang Rajang

SABIKEI

THIRD DIVISION

KAPIT

Tg Datu

ARATOK

LUNDU

KUCHING

SECOND DIVISION

FIRST DIVISION

Batang Lupar

SAMUNJAN

SIMANGGANG

SERIAN

LUBOK ANTU

S. Kapuas

S. Kayan

GROOT NATOENA-EILANDEN

MBAS EILANDEN

P. AIRABU

P. SOEBI-BESAR

TAMBELAN EILANDEN

International Boundaries

State Boundaries

Residency or Divisional Boundaries

Railway

Main Roads

Proposed Roads

Main Towns

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